



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

**INCREASING THE DEPARTMENT OF THE NAVY'S  
OPPORTUNITIES FOR SMALL BUSINESSES AND NON-  
TRADITIONAL SUPPLIERS THOROUGH SUMPLIFIED  
ACQUISITIONS CONTRACTING AND NAICS TARGETING**  
by

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August 2013

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# **INCREASING THE DEPARTMENT OF THE NAVY'S OPPORTUNITIES FOR SMALL BUSINESS AND NON- TRADITIONAL SUPPLIERS THROUGH SIMPLIFIED ACQUISITIONS CONTRACTING AND NAICS TARGETING**

## **ABSTRACT**

The Department of the Navy's (DON's) total acquisition workforce, including the 1105 Purchasing Agent series and the 1102 Contract Specialist series, is directed to maximize contract awards to small and nontraditional suppliers by the terms of the Small Business Act and the Federal Acquisition Regulation (FAR), as well as Presidential, Department of Defense (DOD), and DON initiatives such as *Better Buying Power* (BBP). This direction is particularly strong with regards to low-dollar awards.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

|            |  |
|------------|--|
| BBP        | Better Buying Power  |
| BPA        | Blanket Purchase Agreement                                 |
| CLM        | Contracting and Logistics Management                       |
| DAS        | Defense Acquisition System                                 |
| DAU        | Defense Acquisition University                             |
| DEPSECDEF  | Deputy Secretary of Defense                                |
| DLA        | Defense Logistics Agency                                   |
| DOA        | Department of the Army                                     |
| DOD        | Department of Defense                                      |
| DON        | Department of the Navy                                     |
| DPAP       | Defense Procurement and Acquisition Policy                 |
| FAR        | Federal Acquisitions Regulation                            |
| FAS        | Federal Acquisition Service                                |
| FBO        | FedBizOpps   |
| FedBizOpps | Federal Business Opportunities                             |
| FLC        | Fleet Logistics Center                                     |
| FLC SD     | Fleet Logistics Center San Diego                           |
| FPDS-NG    | Federal Procurement Data Reporting System Next Generation  |
| FSS        | Federal Supply Schedule                                    |
| FSSI       | Federal Supply Schedule Initiative                         |
| GBS        | Global Business Supply                                     |
| GSA        | General Services Administration                            |
| GSA FAS    | General Service Administration Federal Acquisition Service |
| GWPC       | Government Wide Purchase Card                              |
| HubZone    | Historically Underutilized Business Zone                   |
| IDC        | Indefinite Delivery Contract                               |
| IDIQ       | Indefinite Delivery Indefinite Quantity                    |
| IDV        | Indefinite Delivery Vehicle                                |
| JAP        | Joint Applied Project                                      |
| LOC        | Library of Congress  |

|           |   |
|-----------|---|
| MAC       | Multiple Award Contract                       |
| MAS       | Multiple Award Schedule                       |
| MPT       | Micro-purchase Threshold                      |
| MWR       | Morale Welfare and Recreation                 |
| NAICS     | North American Industry Classification System |
| NASA      | National Aeronautics and Space Administration |
| NAVFAC    | Naval Facilities Command                      |
| NAVSUP    | Naval Supply Systems Command                  |
| NDAA      | National Defense Authorization Act            |
| NMCARS    | Navy Marine Corps Acquisitions Regulations    |
| NPS       | Naval Postgraduate School                     |
| NRSW      | Navy Region Southwest                         |
| NSAM      | Naval Support Activity Monterey               |
| OFPP      | Office of Federal Procurement Policy          |
| OMB       | Office of Management and Budget               |
| OS        | Office Supplies                               |
| OS II BPA | Office Supply II Blanket Purchase Agreement   |
| OSBP      | Office of Small Business Programs             |
| OSD       | Office of the Secretary of Defense            |
| PCR       | Procurement Center Representative             |
| PSC       | Product Service Code                          |
| PTAC      | Procurement Technical Assistance Center       |
| RFQ       | Request for Quote                             |
| SAM       | System for Award Management                   |
| SAP       | Simplified Acquisition Procedures             |
| SAT       | Simplified Acquisition Threshold              |
| SBA       | Small Business Administration                 |
| SBP       | Small Business Professional                   |
| SBR       | Small Business Reservation                    |
| SBS       | Small Business Specialist                     |
| SBSA      | Small Business Set-Aside                      |
| SCORE     | Service Corps of Retired Executives           |

|          |  |
|----------|--|
| SDVOSB   | Small Disadvantage Veteran Owned Small Business                    |
| SEL      | Senior Executive Leadership  |
| SEWP     | Solutions for Enterprise-Wide Procurement                          |
| SPAWAR   | Space and Naval Warfare Systems Command                            |
| USD AT&L | Under Secretary of Defense, Acquisition, Technology, and Logistics |

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# **I. INTRODUCTION: THE SIGNIFICANCE OF SAT LEVEL AWARDS FOR SMALL BUSINESS CONTRACTING**

## **A. INTRODUCTION; SMALL BUSINESS RESERVATION OVERVIEW**

This study continues the series of studies commissioned by the Secretary of the Navy Office of Small Business Program (SECNAV OSBP) under the project rubric *Secretary of the Navy Small Business Initiatives: Enhancing Small Business Participation in DON-DOD Procurement and R&D*. Specifically, this study is dedicated to the utilization of contracting mechanisms to increase small business participation under the \$150,000 Simplified Acquisition Threshold (SAT) through targeting of various industrial and product or services classification, as well as various contracting mechanisms such as the Open Market purchases and Indefinite-Delivery task or delivery orders.

Section 4004 of the Federal Acquisition Streamlining Act (FASA) of 1994, Public Law 103-355 (1994), amended the Small Business Act to dramatically enhance the so-called Small Business Reservation (SBR), codified in (15 U.S.C. § 644(j) (2012)):

FASA increased the threshold of federal contracts exclusively reserved for small businesses from contracts worth \$25,000 or less to contracts over \$2,500 up to \$100,000 [currently \$150,000], although contracts can still be exempt from this exclusive reservation if certain criteria are met. . . . FASA . . . amended the Small Business Act to create an exclusive reservation for small businesses consisting of contracts valued at more than \$2,500 but not more than \$100,000 [currently \$150,000]. However, agency contracting officers are not bound to this exclusive reservation if they are unable to obtain offers from two or more small businesses that are competitive with market prices, quality and delivery of the goods or services being purchased. Prior to FASA, procurements valued at \$25,000 or less were generally reserved for small businesses. FASA also took contracts of \$2,500 or less outside the range of the exclusive reservation for small businesses with the creation of a micropurchase level of \$2,500. (GAO, *Trends in Federal Procurement in the 1990s*, GAO-01-119, pp. 4-5, 8 (2001); DOD, GSA, and NASA, *Federal Acquisition Regulation; Inflation Adjustment of Acquisition--Related Thresholds*, 75 Fed.Reg. 53129 (2010)).

Small business contracting remains a top priority for the Department of Defense since the adoption of FASA in the 1990s and into the Obama Administration. According to former Secretary of Defense Leon Panetta,

Dynamic small business plays a central role in strengthening the Department of Defense industrial base and improving our acquisition outcomes. Small businesses not only lead the Nation in innovation, they are also proven a driver of competition is a priority of mine, and also of President Obama. (Office of Secretary of Defense, 2011)

In a memorandum entitled *Increasing Opportunities for Small Business through Small Business Set-asides under the Simplified Acquisition Threshold*, Director of Defense Procurement and Acquisition Policy Richard Ginman and DOD OSBP Director Andre Gudger noted that contracts at the level below the Simplified Acquisition Threshold (SAT) play an integral part in achieving these priorities:

Small businesses play a vital role in their contribution to the defense industrial base and the Department of Defense (DOD) is committed to increasing contracting opportunities to these entities. [There are] longstanding statutory requirements to set aside contracts for small businesses where the contract value is equal to or less than the simplified acquisition threshold (SAT) unless the “rule of two” is not met, and [it is] request[ed] that you double your efforts to ensure these requirements are followed consistently. (Office of Secretary of Defense, 2012)

This chapter describes the objectives of this project, the research methodology, research questions, and the organization of and benefits to NPS and the DON in meeting small business goals.

## **B. STUDY ALIGNMENT WITH DOD AND DON AUTHORITIES, INITIATIVES, AND PLANS CONCERNING SMALL BUSINESS, COMPETITION, TRANSPARENCY, AND CONTINUOUS ACQUISITION WORKFORCE IMPROVEMENT**

The Department of Defense (DOD) struggles to meet current small business goals and to prevent the small business industrial base from shrinking (HASC, 2012). Small businesses applying for government contracts face numerous barriers (SBA, 2012). Contracting professionals have several tools for small business procurement policy, regulation, and guidance. Below the SAT level, contracts may be awarded in a simplified and expeditious manner through definite firm-fixed price (FFP) purchase orders in the Open Market under Federal Acquisitions Regulation (FAR) Part 13 Simplified Acquisition Procedures, and through task and delivery orders issued against Indefinite Delivery Vehicles (IDVs) by various agencies under FAR Subpart 16.5 or the Federal



Supply Schedule (FSS)/Multiple Award Schedule (MAS) of the General Services Administration's (GSA) Federal Acquisition Service (FAS) under FAR Subpart 8.4. Under FAR §13.002 and Subpart 13.3, one of the main purposes of simplified SAT level procurements is to reach to small and traditionally commercial suppliers (Federal Acquisitions Regulation, 2013).

The major tools to facilitate small business SAT level awards include the Small Business Reservation (SBR) under the Small Business Act and FAR Part 19, the so-called tiered or cascading solicitations under DFARS 215.203-70, and discretionary set-asides under the Small Business Jobs Act of 2010. These authorities are complemented by the nontraditional (low-dollar) supplier outreach programs set forth in the Ike Skelton Fiscal Year 2011 National Defense Authorization Act (NDAA), Public Law 111-383, 124 Stat. 4310, 10 USC § 2501 note, Section 891 (2011). This statute directs the DOD buying commands to work together with Procurement Technical Assistance Centers (PTACs) to reach small and nontraditional suppliers.

The DOD and DON have announced several initiatives aimed at increasing small business participation. Specifically, the *Better Buying Power* (BBP) Initiatives 1.0 and 2.0 require ***greater small business participation and increased "effective competition"*** where more than a single offer is made on competitive procurement requirements (USD, 2013). Further, DOD and DON Office of Small Business Programs (OSBPs) have announced strategic plans ***to enhance training and improve forecasting of small business opportunities*** (Department of Defense Office of Small Business Programs, 2011 & 2013). In its analytical approach, this study is informed by principles set forth in both versions of the Better Buying Power (BBP) initiative of the Under Secretary of Defense for Acquisition, Technology, and Logistics. Specifically, BBP directs DOD buying commands to increase the so-called effective competition:

*Remove obstacles to competition.* In recent years, the Department has achieved the highest rates of competition in its history. Having said that, the fact is that a significant fraction of those competitive procurements have involved what is termed "ineffective competition," since only one offer to a solicitation was received even when publicized under full and open competition. This occurs in about \$55 billion of Department contracts annually. One step the Department can take is to mitigate this

loss of savings from the absence of competition. . . . A more important approach is to remove obstacles to competitive bidding. (Carter, BBP 1.0 Memo, 2010)

BBP also directs DOD buyers *to increase competition through small business participation:*

*Increase dynamic small business role in defense marketplace competition.* Small businesses have repeatedly demonstrated their contribution to leading the nation in innovation and driving the economy by their example of hiring over 65 percent of all new jobs and holding more patents than all the nation's universities and large corporations combined. Our defense industry must leverage that innovation and opportunity into our competitions, as small business representation on programs has demonstrated lower costs to the government. (Carter, BBP 1.0 Memo, 2010)

*Increase small business roles and opportunities:* Small businesses, as both prime contractors to the Department and sub-contractors within the supply chain, are effective sources of innovation and reduced cost. The Department will continue its emphasis on improving small business opportunities. . . . A number of steps in this area have been implemented; however, we believe that the increased use of small businesses in service contracting can be a source of additional cost saving and we will continue to emphasize the participation of small businesses in this area. (Kendall, BBP 2.0 Memo, 2012)

As a result, this study will examine *the relationship between small business participation and competition* in SAT level awards.

This study is also aligned with several principles set forth in the DOD and DON *Small Business Programs Strategic Plans*. In particular, the latest *DOD OSBP Strategic Plan (FY11)* (2011) *emphasizes increased competition through small business participation; better training and workforce development; and continuous self-improvement in program development and administration*. In this regard, the *DOD OSBP Strategic Plan (FY11)* states:

*Increase competition.* As a public organization, the DOD is committed to responsibly spending each taxpayer dollar and using competition to acquire affordable and cost-effective systems. The strategic value of small business is its critical role in the creation and sustainment of a competitive defense industrial base. [T]he OSBP's primary strategic goal to "Create

Maximum Opportunities for Small Businesses in DOD Acquisitions” [is] aligned perfectly with the mandate for increased competition.

*Key Operational Goal #1 - Create and Sustain a High Performance OSBP Organization and Enterprise Workforce.* People are our most critical asset, transforming knowledge, skills, abilities and attitude into the services and products that create value for our customers and stakeholders. Within the DOD OSBP, we are continuing to focus on creating a climate that allows employees to enjoy their jobs and achieve meaningful life goals through education, experience, and public service. At the enterprise level, our workforce must be the right size and mix of talent to meet the demanding mission of each Small Business Office. Small business specialists work to influence acquisition strategies, and review procurements to find opportunities for small businesses. P. 13

*Continuous Improvement Key Operational Goal#5: Pursue Major Program Improvements.* In an environment of constant change, program improvements must be pursued on a continuing basis, just to offset the entropy of corporate knowledge and imposition of new mandates. Resource constraints will persist in the near and long-term, limiting our ability to respond to challenges through new initiatives or programs. A strategy of continuous improvement will benefit our mission through cost avoidance or savings, and will allow us to reallocate resources to meet the future needs of our organization. (pg. 16, 2011)

With respect to *continuous improvement*, the *DOD OSBP Strategic Plan* (2013) called on DOD to “[p]ursue ad hoc studies critical to improving small business participation in DOD acquisitions ... [and a]ssess the state of acquisition forecasting in the Department and potential benefits of standardization.” This study will enable ***better forecasting through standardization of market research classifications*** such as the NAICS codes.

Similarly, the DON OSBP Strategic Plan calls for ***enhancing small business participation through greater workforce professionalism and development of innovative contracting and programmatic solutions:***

*Goal #3: Innovation.* The OSBP team will foster an environment within the acquisition community that encourages risk taking, the use of integrated systems and professional management tools and pursues innovative solutions in support of the Small Business Programs. . . .

*Strategy 3.1:* Small business specialists take a leadership role in structuring new partnerships, which promote shared responsibility to enhance the Small Business Program.

*Strategy 3.2:* Evaluate organization's acquisition processes to insert innovative solutions at all command levels to promote small business opportunities.

*Strategy 3.3:* Foster risk-taking decisions in the acquisition community through the use of effective management tools that increase small business opportunities.

This study will encourage acquisition and small business workforce to adopt *command-level small business participation improvement practices* targeted at SAT level awards.

### **C. RESEARCH OBJECTIVES: INFORMING BUYERS' DISCRETION**

*The overriding objective of the study is to help DON develop cross-cutting foundational principles and improved DON-level, command-level, and interagency guidance to increase small business participation in small-dollar opportunities under the \$150,000 SAT level. New policy guidance and models that serve as alternatives to existing DOD tools can also be developed to show small evolutionary changes in small business contracting rules with significant potential to improve small business participation. To put it another way, the problem is that, within the DON, the SAT level buyers' discretion is often unformed. There is currently no model or tool presently in existence which is focused at a buying command's internal, local self-improvement with regards to SAT level small business contracting, or which enables DON OSBP to access self-improvement progress of its reporting commands. Designing such new models using available best practices as well as the rubric of NAICS Access Visualization (NAV) is the ultimate goal of this study.* These new models will identify market access barriers confronting small firms in order to reduce and remove these barriers. Specifically, these models:

- (1) Precisely identify the market access barriers, especially with regards to industrial and requirements classifications, which small firms face under the current practices.

- (2) Narrow existing barriers, for example, by removing regulatory barriers and targeting industrial and requirements classifications.
- (3) Identify agency and installation specific requirements which present realistic opportunities for small business participation and growth.
- (4) Identify small, targeted changes in procurement procedures and practices which the DON and its buying commands can make to meaningfully increase SAT opportunities for small firms.
- (5) Leverage existing U.S. government training, counseling, and outreach resources of the Office of Small Business Policy (OSBP), Small Business Administration (SBA), and DOD-funded Procurement Technical Assistance Centers (PTACs) (U.S. Code 2012) to help small firms overcome their industry-specific market access barriers.

#### **D. METHODOLOGY: DATA COLLECTION AND DATA LIMITATIONS**

This project identifies legal and regulatory authorities available to contacting officials under the SAT and SAP, and examines current tools and best practices to overcome existing barriers to facilitate small business awards. The project also identifies elements of the Open Market and specific contract vehicles that deter small and non-traditional suppliers trying to do business with the government.

These barriers, tools, and best practices are identified in three ways. First, the academic and policy literature is reviewed, including research studies, articles, small business best practices, current policy, statutes, and regulation. Second, FY 2012 SAT level contract awards data from the Federal Procurement Data System-Next Generation (FPDS-NG) for NPS-funded SAT level awards is analyzed. *Because standard FPDS-NG Simplified Acquisitions reports are overly general and because FPDS-NG currently cannot generate a report with Navy-wide SAT level data that contains a sufficient level of detail, the data analysis in this project focuses on the NPS as a test case: a representative buying command with diverse procurement requirements across the spectrum of the Navy and Marine Corps missions.* NPS is also unique in that it the only SAP-specific DON buying command within its geographic region. These requirements cover supplies, services (including minor remodeling) and manufacturing North American Industry Classification System (NAICS) categories. Third, major regional

buying commands, PTACs, and Small Business Administration (SBA) offices within the Naval Region Southwest (NRSW) are surveyed.

As a predicate to FPDS-NG data analysis, this project contains an overview of the NPS procurement structure, resources, and current small business award environment with a focus on the operating budget and the amount of historical contracting dollars for the installation. The procurement entities and different levels of authority are examined, along with contracting warrant authority, IDV contracting vehicles, and the products and services of NPS procurements under SAT. Information is provided about the small business procedures of the NPS Directorate of Contracting and Logistics Management, also known as the NPS Contracting Directorate.

As a test case study, the NPS Contracting Directorate has an opportunity to use the tools and best practices to overcome procurement barriers and increase Navy small business awards with the collateral effect of stimulating the growth of the local industrial base. The objective of this study is to identify the foundational principles of SAT level procurement and the opportunities for small changes that can make a big difference in the utilization of small business in the SAP environment. The NPS SAP contracting authority presents an opportunity to set the example at the installation level to stimulate the economy and grow local non-traditional suppliers.

## **E. RESEARCH QUESTIONS**

This research project is intended to answer the following questions:

1. What specific barriers prevent small business and non-traditional suppliers from obtaining DON SAT level contract awards?
2. What specific indicators should be assessed by buying commands seeking to improve their small business performance in SAT level awards?
3. How should the Department of the Navy buying commands apply SAT level contracting tools and best practices, such as industrial and requirements targeting, to overcome barriers to small business participation?

## **F. STUDY ORGANIZATION**

In Chapter I, the background information about this study, objectives of the study, the research questions, organization, and benefits of the research are provided.

In Chapter II, the primary focus is on identifying regulatory and policy barriers to small business SAT level contracting. This is done by means of literature review, highlights of current regulations, reports, studies, and articles regarding small business procurement. The information obtained identifies the barriers, tools, and best practices of small business awards. The SBA Regulations and FAR sections that pertain to small business contracting awards are reviewed, along with current articles and direction regarding SAP small business contracting. Particular emphasis is made on industrial classification rules and guidance.

In Chapter III, the NPS SAP procurement structure is examined as the case study setting. This chapter investigates the operating budget and structure of procurement entities at NPS, which is one of only a few SAP only installation-specific contracting offices in the Navy Region Southwest (NRSW). The historical contracting dollars and current small business practices are analyzed.

In Chapter IV, the actual buying command case study is presented along with new. All FY 2012 reported SAT level awards are examined to identify procurement methods, volume, characteristics, and the small business opportunity of the NPS SAP contracting dollars. Using FPDS-NG, the FY 2012 NPS SAT level contract awards are analyzed for small and large business procurement characteristics across the Open Market and IDV award categories. Research was conducted within the NRSW to identify regional small business barriers, tools, and best practices.

In Chapter V, the geographic impact of SAT level contracting practices is presented. The FY 2012 NPS SAT level awards are analyzed to test the relationship between regional vendor competitiveness and contracting methods in a comparison of San Diego and Monterey Counties. This chapter sheds light on practices with the potential for increasing NPS SAT Contracting Directorate's and Monterey Bay PTAC's

small business and local awards, as well as for boosting DON small business contracting participation.

Chapter VI revisits the research questions, provides policy and practice recommendations, and sets forth principles for a command-level small business participation model. The chapter targets problematic characteristics (barriers) and contracting mechanisms (tools and best practices), and concludes with recommendations for future research topics.

## **G. BENEFITS OF THE STUDY**

The benefits of studying small business contracting are wide-ranging. For instance, as recently described by President Barack Obama,

[E]nsuring small businesses can thrive is more than economic success. It's also about who we are as a people. It's about a nation where anybody who's got a good idea and a willingness to work hard can succeed. That's the central promise of America. (Small Business Administration, 2012)

This study offers benefits to multiple stakeholders. At the systemic level, the DON and its OSBP will gain practical path and foundational principles to meet SAT level small business goals assigned to DON. Individual DON buying commands will benefit by the ability to analyze their SAT level small business performance and improve utilization of small firms in a meaningful and incremental way. The PTACs will be able to help the Defense Logistics Agency (DLA) provide better, more targeted return to the DON for DLA's matching funds investment in the PTACs near military installations. Finally, the research will help small and nontraditional suppliers in the American defense industrial base. This study has the collateral benefit of insuring DON compliance with FY 2011 NDAA Section 891, which requires that DOD buying commands establish outreach programs targeting non-traditional (i.e., small-dollar) suppliers that do not "currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000" (FY2011 Ike Skelton National Defense Authorization Act, §891, 2011).

At the local level, the beneficiaries are the NPS Directorate of Contracting and Logistics Management, and local and small businesses in Monterey County and nearby



counties. Finally, the DOD, DON, and NPS leadership will benefit from a better comprehension of the local economic impact of NPS, which has been a required selection factor under Section 2913 of the Defense Base Realignment and Closure Act of 1990, (DBRAC Appendix C, p. 24, 2005).

## **II. REVIEW AND ANALYSIS OF APPLICABLE LAW AND SCHOLARSHIP**

### **A. INTRODUCTION**

This chapter describes the barriers, tools, and best practices regarding small business contracting that are the foundation of this project. The literature reviewed in this chapter consists of various memoranda, regulatory and legal references, articles, reports, and instructions. The buying mechanisms under Simplified Acquisitions are examined, as are the barriers to small business contracting. The tools and best practices available to overcome these barriers are also discussed.

### **B. DEFINITIONS**

- Industrial Base: “[T]he persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States” (United States Code, 2013a).
- Technology and Industrial Base Sector: “A group of public or private persons and organizations that engage in, or are capable of engaging in, similar research, development, production, integration, services, or information technology activities” (United States Code, 2013b).
- Non-Traditional Suppliers: A firm is not a traditional supplier of the Department of Defense if it does not currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000 (National Defense Authorization Act, 2011).
- Rule of Two: A reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of fair market price, quality, and delivery (Federal Acquisition Regulation Part 19, 2013). As described further in the Report, the establishment of the Rule of Two differs for contracts below and above SAT.
- Multiple Award Contract: A multiple-award contract (MAC) is a single solicitation that can result in many awards to different companies (Federal Acquisitions Regulation Subpart 16.5, 2013). The Federal Supply Schedules/Multiple Award Schedules of the General Services Administration, Federal Acquisition Service (FAS) are also MACs. (Federal Acquisition Regulation Subpart 8.4, 2013).

- **Firm Fixed Price:** A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties (Federal Acquisition Regulation, 2013).
- **Federal Supply Schedule:** The Federal Supply Schedule (FSS) is a MAC issued by the Federal Acquisition Service, a responsible agency working under the General Services Administration (GSA) to operate a global supply system for the federal government (Federal Acquisition Regulation Subpart 8.4, 2013).
- **Solicitation:** Requests to submit offers or quotations to the Government. Solicitations under sealed bid procedures are called "invitations for bids." Solicitations under negotiated procedures are called "requests for proposals." Solicitations under simplified acquisition procedures may require submission of either a quotation or an offer (Federal Acquisition Regulation, 2013).
- **Micro Purchase Threshold:** Acquisition of supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold [for supplies or services]. (Federal Acquisition Regulation Subpart 2.101, 2013).

### **C. SIMPLIFIED ACQUISITIONS BUYING MECHANISMS**

Under SAT, the basic federal contracting principles of competition, maximum practicable opportunity for small business, transparency, and value for money continue to apply. However, the SAT level contracting mechanisms provide ease and flexibility to make timely acquisitions. Under FAR §13.003(a) (2013),

Agencies shall use simplified acquisition procedures to the maximum extent practicable for all purchases of supplies or services not exceeding the simplified acquisition threshold (including purchases at or below the micro-purchase threshold). This policy does not apply if an agency can meet its requirement using— (1) Required sources of supply under Part 8 (e.g., Federal Prison Industries, Committee for Purchase from People Who are Blind or Severely Disabled, and Federal Supply Schedule contracts); (2) Existing indefinite delivery/indefinite quantity contracts; or (3) Other established contracts.

Overall, when a command buys SAT level requirements, it may do so under four different contracting mechanisms:

- (1) Orders placed through the Governmentwide Purchase Card (GWPC) Program operating within the Micro-purchase Threshold (MPT) environment per FAR Subpart 13.2.
- (2) Task or delivery orders placed against the FAR Parts 8.4 Federal Supply Schedule awarded by the General Services Administration, Federal Acquisition Service (GSA FAS).
- (3) Task or delivery orders placed against Indefinite-Delivery Indefinite-Quantity Contracts (IDIQs), generally awarded as Multiple-Award Contracts (MACs) under FAR Subpart 16.5.
- (4) Purchase orders issued in the Open Market under FAR Subpart 13.3 SAP.

These contracting mechanisms have different small business participation terms. For procurements at the micro-purchase threshold (MPT) level or below, the Office of Federal Procurement Policy (OFPP) requires consideration of small businesses (OMB, 2011). Except for FAR 13.2 MPT awards, requirements under the remaining three contracting mechanisms are subject to the so-called Small Business Reservation (SBR) in accordance with FAR 19.5 as amended by the Small Business Jobs Act of 2010, Public Law 111-240 (2010). The mandatory SBR is a set-aside where requirements are presumed to be set aside for small business unless the Contracting Officer can establish that the Rule of Two will not be met. It is generally used in Open Market procurements. Under the Small Business Jobs Act of 2010, the SBR is discretionary for orders placed against FAR Subpart 16.5 IDIQs and FAR Subpart 8.4 GSA FAS FSS (Federal Acquisition Regulation § 8.405-5, 2013 & Federal Acquisition Regulation Subpart 16.505, 2013).

**1. Subpart 13.2 Actions: Governmentwide Purchase Card Program at or Below the Micro Purchase Threshold (MPT) Level**

Micro-purchases do not have required clauses and should be distributed equitably between suppliers. If the procurement official considers the price reasonable, no competition is required. Micro-purchases are to be paid to the maximum extent via the GWPC (Federal Acquisition Regulation, 2013).

The Micro Purchase Threshold (MPT) goes from \$0.01 up to \$3,000 for all product purchases, to \$2,500 for Service Contract Act service purchases, and to

\$2,000 for Davis-Bacon Act construction per FAR 2.101 (Federal Acquisition Regulation, 2013). MPT data is not reportable in FPDS. (GSA *FPDS User's Manual*, ¶2.2.3, 2013 and 2008).

## **2. FAR Part 8.4 Orders against the Federal Supply Schedule**

FAR Part 8.4 provides simplified processes for obtaining services and supplies available on the commercial market. Under FAR §2.101 (2013), Davis-Bacon Act construction requirements are not considered commercial items.

FAR §8.402 - General.

(a) The Federal Supply Schedule program is also known as the GSA Schedules Program or the Multiple Award Schedule Program. The Federal Supply Schedule program is directed and managed by GSA and provides Federal agencies (see 8.002) with a simplified process for obtaining commercial supplies and services at prices associated with volume buying. Indefinite delivery contracts are awarded to provide supplies and services at stated prices for given periods of time. (Federal Acquisition Regulation, 2013)

### **a. Products: Micro-purchase Threshold (\$3,000) to the Simplified Acquisitions Threshold (\$150,000)**

FAR §8.405 specifies when three or more MAS vendors should be contacted for quotes. This outreach is subject to the requirement to document reasons for not seeking competitive quotes from three or more contractors (Federal Acquisition Regulation, 2013).

### **b. Services: Micro-purchase Threshold (\$2,500) to the Simplified Acquisitions Threshold (\$150,000)**

Information in FAR § 8.405 provides a simplified process for obtaining services.

- (i) The ordering activity shall develop a statement of work, in accordance with 8.405–2(b).
- (ii) The ordering activity shall provide the RFQ (including the statement of work and evaluation criteria) to at least three schedule contractors that offer services that will meet the agency's needs or document the circumstances for restricting consideration to fewer

than three schedule contractors based on one of the reasons at 8.405–6(a).

- (iii) The ordering activity shall specify the type of order (i.e., firm-fixed-price, labor-hour) for the services identified in the statement of work. The Contracting Officers should establish firm-fixed-prices, as appropriate. (Federal Acquisition Regulation, 2013)

### **3. FAR Part 16.5 Orders against the Indefinite-Delivery Contracts (or MACs)**

FAR Part 16.501–2 gives the general description of Indefinite Delivery Contracts (IDC).

(a) There are three types of indefinite-delivery contracts: definite-quantity contracts, requirements contracts, and indefinite-quantity contracts. The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award. (Federal Acquisition Regulation, 2013)

IDCs are labeled as Indefinite Delivery Vehicles (IDVs) in the FPDS-NG.

According to FAR (2013), IDC/IDVs offer these advantages.

- Government stocks to be maintained at minimum level
- Direct shipment to users
- Flexibility in both quantities and delivery scheduling
- Requirements contracts may permit faster deliveries when production lead time is involved
- Indefinite-delivery contracts may provide for any appropriate cost or pricing arrangement under FAR Part 16

### **4. Purchase Orders Per FAR Part 13 Simplified Acquisition Procedures**

FAR Part 13 provides the SAP for open market procurement of goods and services not available on FSS/GSA or IDC/IDV. In FAR 13, Contracting Officers are required to promote competition, post requests for quotes for a reasonable amount of time, and use innovative approaches.

According to FAR 13.002 (2013), there are four purposes to SAP:

(a) Reduce administrative costs; (b) Improve opportunities for small, small disadvantaged, women-owned, veteran-owned, Historically Underutilized Business Zone (HUBZone), and service-disabled veteran-owned small business concerns to obtain a fair proportion of Government contracts; (c) Promote efficiency and economy in contracting; and (d) Avoid unnecessary burdens for agencies and contractors.

These simplified procedures are designed to be efficient for both the agency and the potential contractors. The potential benefits of using SAP, according to the FAR, include the automatic small business set aside, discretionary solicitation periods, no cost and pricing data required, and maximum flexibility of the micro-purchase threshold.

### **FAR Part 13.003 SAT Small Business Reservation (Total Set Aside)**

The SBR is a tool that Contracting Officers can use to reduce the competitive pool by allowing only small business to be considered for award.

Acquisitions of supplies or services that have an anticipated dollar value exceeding \$3,000 and not exceeding \$150,000 are reserved exclusively for small business concerns and shall be set aside. (Federal Acquisition Regulation, 2013)

### **FAR Part 13.106–1 Soliciting Competition**

The FAR gives Contracting Officers discretion on the amount of posting time when the requirement will not exceed the SAT. Solicitations under \$25,000 can be done orally and electronic commerce is highly encouraged (Federal Acquisition Regulation, 2013).

### **FAR Part 13.106–3 Award and Documentation**

When applying SAP procedures in purchase order awards, contracting officials, according to FAR 13.106–3, are required to verify price reasonableness by considering these factors.

1. Whenever possible, base price reasonableness on competitive quotations or offers.
2. If only one response is received, include a statement of price reasonableness in the contract file.

The Contracting Officers may base the statement on

- (i) Market research;
- (ii) Comparison of the proposed price with prices found reasonable on previous purchases;
- (iii) Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price;
- (iv) A comparison with similar items in a related industry;
- (v) The Contracting Officer's personal knowledge of the item being purchased;
- (vi) Comparison to an independent Government estimate; or
- (vii) Any other reasonable basis.

**D. ACQUISITION WORKFORCE SERIES AVAILABLE TO SUPPORT SAT LEVEL REQUIREMENTS**

To support the procurement of SAT level requirements, the Federal Acquisition Workforce can utilize three categories of authorized procurement officials: the General Schedule 1105 Purchasing series, the General Schedule 1102 Contracts Specialist series, and the Governmentwide Purchase Card holders (for example, employees under the Miscellaneous Administration and Program 0301 series) (Office of Personnel Management, 2013).

Table 1. SAT Level Federal Acquisition Workforce with Buying Authority

|                                      | GWPC<br>Cardholder<br>(GWPC)                                     | 1105<br>Purchasing Agent<br>(warranted) | 1102<br>Contracting<br>Specialist<br>(warranted) |
|--------------------------------------|--|---|--|
| *DAU<br>Certification<br>Required    | Not applicable   | Purchasing Level I<br>and II            | Contracting Level I,<br>II, III                  |
| Products Open<br>Market<br>Threshold | Under \$3,000<br>Only Office Supplies,<br>Shipping, and Printing | \$3,000                                 | \$150,000  |
| Established<br>IDVs<br>Threshold     | No authority   | \$150,000                               | \$500,000<br>Product and Services                |
| Services Open<br>Market<br>Threshold | No authority   | \$2,500                                 | \$150,000  |



\*Defense Acquisition University, 2013

Procurement authority is delegated to these officials in accordance with FAR § 1.603–3 (Federal Acquisition Regulation, 2013). The 1105 Purchasing Agents and the 1102 Contracts Specialists receive SF 1402 certificates of appointment, also known as warrants, specifying the scope of their authority upon completing the required Defense Acquisitions University (DAU) Level Certifications.

The 1105 Warrant (Purchasing) authorizes agents to:

Place Type II oral/electronic firm fixed –priced delivery orders for supplies and services up to \$150K under contracting vehicles supporting Gov’t, DOD, or Navy-wide ordering to include wireless services, IDTC’s, GSA FSS, NASA SEWP, and other mandatory Government sources of supply for which payment will be made with the government purchase card. (GSA SF 1402, 1983)

The 1102 Warrant SAP Warrant (Contracting) authorizes contracts specialists to:

[I]ssue open market purchase orders for supplies and services NTE SAT, issue BPAs and place calls and place orders up to MOT or \$500K against fixed price IDTCs, GSA FSS, and other mandatory Government sources. (GSA SF 1402, 1983)

#### **E. FOURTEEN (14) BARRIERS TO SMALL BUSINESS PARTICIPATION IN SAT LEVEL AWARDS FROM USE OF NAICS AND PSC CODES**

##### **1. Overview of NAICS and FSC/PSC Code Systems for Classifying SAT Level Awards; Buyers’ Discretion; Favorability to Business Sizes**

Buying commands utilize two types of code for classifying solicitation in terms of what these commands buy and from what industry: the combined system of Federal Supply Classifications (FSCs)/Product and Service Codes (PSCs) and the North American Industrial Classification System (NAICS) Codes, respectively. (Bunting, 2013, p. 557-559). *In making these classifications, the acquisition workforce may exercise wide discretion with the view towards increasing small and nontraditional business participation, but this discretion is constrained and even distorted by legal rules, policy guidance, and market information. At the same time, the industry looks to the buying commands’ choices of both NAICS and PSC/FSC codes for use as the industry’s own business opportunity research tools.* Because of the rules associated

with the NAICS and PSC/FSC classifications, buyers' NAICS choices are of primary importance to small and nontraditional suppliers to the government while the buyers' PSC/FSC choices are of primary importance to large and/or traditional suppliers to the government.

Agency buyers use the NAICS codes to describe the industrial sector and the specific industry category which is the intended performer of the contract award. As stated in the SBA regulations at 13 CFR §121.402(b) (2012):

The procuring agency contracting officer, or authorized representative, designates the proper NAICS code and size standard in a solicitation, selecting the NAICS code which best describes the principle purpose of the product or service being acquired. Primary consideration is given to the industry descriptions in the NAICS United States Manual, the product or service description in the solicitation and any attachments to it, the relative value and importance of the components of the procurement making up the end item being procured, and the function of the goods or services being purchased. A procurement is usually classified according to the component which accounts for the greatest percentage of contract value.

NAICS Codes are used by the SBA to assign size standards to companies in various industries. "A concern must not exceed the size standard for the NAICS code specified in the solicitation." 13 CFR §121.402 (2012).

***Small firms must know, understand, and be able to inform, the choice of NAICS codes by agency buyers because the NAICS codes determine whether small firms will compete solely against their peers.*** Specifically, NAICS codes are used to determine whether to proceed with the SBR because the Rule of Two generally requires availability (or proof of non-availability for contracts below the SAT) of two or more capable small firms within the NAICS code assigned to each solicitation by the contracting officer or purchasing agent. (Bunting 2013; GAO, *TMI Management Systems*, 2003). The assignment of the NAICS code is a significant step because both the choice of the NAICS code and the size status of a winning firm as a small business under the chosen NAICS code may be protested, as may be the validity of the resulting SBR and the contract award itself. (FAR Subparts 19.3 and 33.1 (2013); SBA Regulations, 13 CFR §§ 121.1001 and 1102 (2013)). As such, NAICS Codes are

primarily important for government agencies and for small firms, but may also be used by large firms which aggressively litigate for contracting opportunities. ***More likely than not, this legal and regulatory framework favors greater comprehension and use of NAICS codes by small, rather than large, businesses.***

***Large businesses have to be concerned with set-asides only as a matter of market share defense, but still have to be concerned with correctly understanding the government's requirements as defined by PSCs/FSCs regardless of any contract's size standards.*** The purpose of FSCs/PSCs is primarily to classify the items that are being bought regardless of the industry source. FSCs, originally developed by the DOD, and PSCs, originally developed by the General Services Administration (GSA), are compiled and maintained by the GSA in its *Product and Services Codes Manual*. (Bunting, 2013, pp. 558-560; GSA 2011). However, FSCs/PSCs play a significant part in market research by helping agencies promote competition through publication of their requirements as well as by helping prospective contractors find business opportunities:

[A] contracting agency must use reasonable methods to publicize its procurement needs and to timely disseminate solicitation documents to those entitled to receive them. *Kendall Healthcare Prods. Co.*, B-289381, Feb. 19, 2002, 2002 CPD para. 42 at 6. The official public medium for providing notice of contracting actions by federal agencies is the FedBizOpps website, which has been designated by statute and regulation as the government-wide point of entry. 15 U.S.C. § 637(e); 41 U.S.C. § 416; FAR §§ 2.101, 5.101(a)(1), 5.201(d) (2009). An agency's notice must provide an "accurate description" of the property or services to be purchased and must be sufficient to allow a prospective contractor to make an informed business judgment as to whether to request a copy of the solicitation. See 15 U.S.C. § 637(f) (2009); *Jess Bruner Fire Suppression*, B-296533, Aug. 19, 2005, 2005 CPD ¶ 163 at 4. In this regard, the FAR requires agencies to use one of the procurement classification codes identified at the FedBizOpps website to identify services or supplies in its notices on FedBizOpps, see FAR sect. 5.207(e), and contracting officers must use the most appropriate classification category. See *Gourmet Distributors*, B-259083, Mar. 6, 1995, 95-1 CPD ¶ 130 at 2. We have found that an agency failed to effectively notify potential offerors of a procurement and to obtain full and open and competition under CICA [the Competition in Contracting Act of 1984], where the agency misclassified the procurement. See *Frank Thatcher Assocs., Inc.*, B-228744, Nov. 12, 1987, 87-2 CPD ¶ 480 at 2-3. (GAO, *TMI Management Systems*, B-401530 (2009)).

Thus, FSCs/PSCs are primarily suitable for market research by sophisticated, more established vendors which are likely to have in-house professionals familiar with particularized buying needs of various agencies. *More likely than not, the legal and regulatory framework favors greater comprehension and use of FSC/PSC codes by large businesses or by well-established small businesses.*

## **2. Eight (8) Specific Entry Barriers Stemming from Mandatory Use of NAICS and PSC Codes in SAT Level Solicitations**

A review of legal rules, precedents, and scholarship shows many legal uncertainties exist concerning the mandatory use of NAICS and FSC/PSC codes. This combination of uncertainties and mandatory use of NAICS and FSC/PSC codes sows confusion among government personnel and industry alike. The procurement officials' discretion in picking classifications can be so wide and complex that it becomes burdensome. All this confusion and latitude in determining and assigning NAICS and FSC/PSC codes is bound to create a significant strain on the acquisition workforce handling SAT level awards in terms of properly and consistently classifying solicitations. It also creates significant obstacles for small firms' ability to accurately position themselves for market research through SAM registration and to accurately locate and respond to solicitations. As a result, government buyers are having difficulties identifying potential small business vendors. Likewise, small businesses are having difficulties identifying potential SAT level contracting opportunities. For small and nontraditional suppliers pursuing SAT level awards, the NAICS and PSC systems used by the government for classification of what it is buying and from what industries act as barriers to accurately understanding and preparing bids and proposals. The problems range from cumbersome, overlapping, and vague NAICS definitions, to inconsistency in NAICS and FSC/PSC choices, to the Nonmanufacturer Rule (NMR) mandate discouraging small business resellers. Specific barriers to entry are listed below.

First, the relationship between NAICS and FSC/PSC codes is a complex one: they do not match exactly and they overlap. The FPDS support contractor maintains an electronic reference table which aids in matching NAICS and FSCs/PSCs. (GSA, *FPDS-NG User Manual*, § 2, 2013 and 2008). But this reference does not preclude a buying

command from choosing more than one NAICS code for each of the FSCs/PSCs, and vice versa. A buying agency's inconsistent choices of NAICS and FSCs/PSCs impede internal acquisition planning as well as the industry's own market research. For example:

Depending on the business function, the relevant NAICS code for "Laser Printers" [FSC] is either 334118 "Computer Terminal and Other Computer Peripheral Equipment Manufacture," which consists of establishments that focus on the manufacture of computer terminals and related equipment, or 423430 "Computer Peripheral Equipment and Software Merchant Wholesalers," which consists of establishments that engage in the merchant wholesale distribution of computers and related equipment. As seen from the descriptions above, the FSC and NAICS code classifications encompass a broad array of products that are somewhat similar to laser printers, including scanners and displays. In today's technologically saturated environment, the generality of both classification systems limits the ability to drill down to a level of detail that differentiates between information technology equipment. This prevents agencies from formulating commodity strategies because they are unable to create accurate, detailed spend reports. (Bunting, 2013, p. 568).

Second, individual agency buyers possess wide discretion in assigning NAICS codes. As more fully described below,

Compounding the limitations inherent in the current process of locating and identifying procurement opportunities is the [SBA's] regulatory mandate that only one NAICS code can be selected for each acquisition. The Contracting Officer must select a NAICS code that best describes the principle purpose of the supply or service being acquired, must identify the size standard employed by that code, and must note that size standard in the solicitation. The responsibility for determining the appropriate classification code rests with the Contracting Officer, and classification determinations necessarily involve some degree of judgment on the part of the Contracting Officer. Courts will not overturn this determination unless it is shown to be unreasonable. (Bunting, p. 576-77, 2013).

Third, although NAICS codes are legally determinative in terms of the buying agency's own market research into the available suppliers, the industry cannot legally rely on NAICS codes in terms of the industry's own market research into Federal business opportunities. This is because, although NAICS choices may be protestable to the SBA, the GAO gives buying agencies wide latitude to use illegal or improper NAICS codes as long as they use correct FSCs/PSCs. (GAO, *TMI Management*, 2009). Indeed, a

potential supplier is not even required to search for solicitations based on the NAICS code but only based on the FSC/PSC code:

Product and Service Codes are provided to make manageable searches of large numbers of procurements; that is, the classification codes allow potential offerors to narrow their searches in a meaningful way to find procurement opportunities. Misclassifying a procurement makes difficult, if not impossible, the task of locating procurement opportunities under other search terms. Here, because TMI reasonably relied in its search on the codes that most closely represented the types of services it could provide--M and R--as a means to narrow the search results, it could not have found this listing no matter what additional search terms it entered or selected. FEMA's argument that a prudent vendor could have used various available search terms, such as the NAICS code, to locate the listing assumes the vendor would anticipate that the procuring agency might have misclassified the requirement and would therefore omit any product or service code from its search. We find this assumption unreasonable. [Since the protestor] reasonably relied in its search on the codes that most closely represented the types of services it could provide ... as a means to narrow the search results, it could not have found this listing no matter what additional search terms it entered or selected.” (GAO, *TMI Management*, 2009).

Fourth, a single NAICS or a PSC category may cover different goods and services bought in a single acquisition.

“[T]he regulatory mandate of selecting only one NAICS code makes it challenging for agencies to accurately describe requirements that consist of various supplies and services. Because a classification code for various supplies and services is based on the predominant supply or service that is being purchased, how a Contracting Officer selects a code for a solicitation can create data reporting issues because the codes reported in the FPDS-NG do not reflect all the supplies and services acquired by the agency.” (Bunting, 2013, pp. 577-8).

Fifth, buying agencies, the SBA, and industry may be unable to choose correct NAICS codes because of GSA guidance which promotes complexities and inaccuracies in the descriptions of requirements. The GSA’s FPDS Manual gives agency buyers unguided discretion to write such descriptions: “Enter a meaningful description of the end item or service being procured. The description should directly relate to the PSC or NAICS code and also provide detailed characteristics (max 4000 characters).” (GSA, *FPDS Manual*, 2013 and 2008).

Sixth, because of the agencies' wide discretion, NAICS codes may simply overburden small businesses searching for contracting opportunities. In the *Jess Bruner* case, the GAO found that even where the "the pre-solicitation notice and RFQ could have been accessed by searching the FedBizOpps site using the correct NAICS code," individual NAICS codes may also confuse small businesses. "[T]his [correct NAICS] code includes many divergent services and postings nationwide; indeed, during the course of a telephone hearing with the parties, such a search was conducted and it yielded well over 900 different postings. . . . Given the circumstances here, it would be quite burdensome for a contractor to have to regularly search such a large database in order for the contractor to be assured that it remained aware of potential contracting opportunities." (GAO, *Jess Bruner*, 2005).

Seventh, NAICS designations on IDV task and delivery orders contracting awards do not accurately reflect the supplier base or the subject matter of the contracts to be performed. For instance,

[t]he Navy recently awarded the multibillion-dollar Seaport Enhanced (SeaPort-e) Multiple Award Contract to 1,800-plus contractors to provide a variety of support services for weapon systems acquisition. This contract provides professional support services to the Navy through twenty-two functional areas, including research and development support, prototyping, acquisition logistics, modeling, test and evaluation, and engineering support. SeaPort-e utilizes only NAICS code 541330 ("Engineering Services") despite the multitude of services within the scope of the contract. (Bunting, 2013, 580).

Likewise, "focusing on the principle purpose of the procurement and limiting the NAICS code selection to one code provides an incomplete and inaccurate set of data. The Government is acquiring a multitude of services that are not disclosed on FedBizOpps or reported to the FPDS-NG because only one code can be selected." (Bunting, 2013).

Eighth, although buying agencies use NAICS codes for purposes of determining whether the Rule of Two can be satisfied, GAO precedents actually direct prospective vendors to search solicitations three (3) ways: by geographic location, NAICS, and PSC designations. (GAO, *Jess Bruner*, 2005; *TMI Management Systems*, 2009). Without this three-way search, a prospective contractor's search would not be legally sufficient to obtain corrective action concerning ambiguous or misleading contracting opportunity

postings by a buying agency. This three-search requirement is entirely a creature of the GAO and is not found in either FAR Part 5 or in SBA regulations.

### **3. Six (6) Specific Barriers Stemming from the Use of the Non-Manufacturer Rule**

Small business retailers and resellers of manufacturing products face several additional barriers. These barriers stem from the so-called Nonmanufacturer Rule (NMR). NMR, found in the SBA regulations, states:

Acquisitions for supplies must be classified under the appropriate manufacturing NAICS code, not under a Wholesale Trade or Retail Trade NAICS code. Acquisitions for supplies must be classified under the appropriate manufacturing or supply NAICS code, not under a wholesale trade or retail trade NAICS code. A concern that submits an offer or quote for a contract where the NAICS code assigned to the contract is one for supplies, and furnishes a product it did not itself manufacture or produce, is categorized as a nonmanufacturer and deemed small if it meets the requirements set forth in 13 CFR § 121.406(b). (SBA Regulations, 13 CFR §121.402 (2012)).

The NMR is subject to complicated waivers and limited exceptions:

For small business set-asides other than for construction or services, any concern proposing to furnish a product that it did not itself manufacture must furnish the product of a small business manufacturer unless the SBA has granted either a waiver or exception to the nonmanufacturer rule (see 19.102(f)). In industries where the SBA finds that there are no small business manufacturers, it may issue a waiver to the nonmanufacturer rule (see 19.102(f)(4) and (5)). In addition, SBA has excepted procurements processed under simplified acquisition procedures (see Part 13), where the anticipated cost of the procurement will not exceed \$25,000, from the nonmanufacturer rule. Waivers permit small businesses to provide any firm's product. The exception permits small businesses to provide any domestic firm's product. In both of these cases, the contracting officer's determination in paragraph (b)(1) of this subsection or the decision not to set aside a procurement reserved for small business under paragraph (a) of this subsection will be based on the expectation of receiving offers from at least two responsible small businesses, including nonmanufacturers, offering the products of different concerns. (FAR §19.502-2(c) (2012)).

The NMR operates as follows:



Under the simplified acquisition procedures being used here, an acquisition of supplies that has an anticipated dollar value exceeding \$2,500 and not exceeding [\$150,000], as anticipated here, is reserved exclusively for small business concerns in accordance with the set-aside procedures of Federal Acquisition Regulation (FAR) subpart 19.5. FAR § 13.105(a). The RFQ, pursuant to FAR § 19.508(c), incorporated the required Notice of Total Small Business Set-Aside, FAR § 52.219-6, which provides that, for a small business set-aside, a small business concern submitting an offer in its own name agrees to furnish, in performing the contract, only end items manufactured or produced by itself or other domestic small business concerns; this requirement is known as the “nonmanufacturer rule.” FAR §§ 19.001, 19.102(f)(1) (1997). . . The nonmanufacturer rule may be waived where the acquisition is for a product in a class for which the Small Business Administration (SBA) has determined that there are no small business manufacturers in the Federal market, FAR § 19.102(f)(4), or where, for a specific acquisition, the contracting officer determines that there are no known domestic small business manufacturers that can reasonably be expected to offer a product meeting the requirements of the solicitation, FAR § 19.102(f)(5), and the SBA, in response to the contracting officer's request, waives the requirement with respect to that solicitation, FAR § 19.502-2(c). An SBA waiver implemented in the solicitation permits a small business to provide any firm's product in response to the solicitation. (GAO, *Fluid Power International*, B- 278479, 1997.)

The use of NMR, along with its waivers and its low-dollar exception, created numerous obstacles for small firms and government buyers alike. First, by its own terms, the NMR is especially detrimental to small business resellers. As stated above, the NMR requires that only manufacturing NAICS codes be chosen for small business set-asides. Therefore, this requirement will drive small business resellers out of the market unless they are able to persuade the contracting officer or a purchasing agent to obtain the NMR waiver from the SBA or unless the SBA issues an NMR class waiver. This course of action is unduly burdensome in the SAT level contracting environment. Again, as stated above, the SBA issued a class waiver for contract awards that fall below \$25,000, provided the end product is manufactured domestically by any concern that is other than a small business. (FAR § 19.102(f)(7), 2013)).

Second, the terms of registration for future business opportunities in the government-wide System for Awards Management (SAM) (and its predecessor Central Contractor Registration (CCR)) as set in the GSA's *SAM User Guide* (2013) discourage,

mislead, and confuse small business resellers and even manufacturers as well as government personnel. To begin with, SAM does not recognize a reseller category within its core data registration fields. The only category recognized in the *SAM User Guide* is that of “manufacturer,” defined as: “Your organization manufactures goods as opposed to being a service provider.” (2013). Reseller designations can only be chosen as part of industrial classification entries as part of assertions data. However, when it comes to NAICS categories, the *SAM User Guide* § 3.4.2 further confuses the issue by advising at once to enter codes for “goods and services your entity can provide” and yet to enter only the codes “that best represent the type of industry in which your entity does business.” (2013). There is no opportunity to register as a reseller qualified to provide manufactured goods under the SBA’s \$25,000 waiver. The *Guide* warns small firms of severe criminal and civil penalties for misrepresentation of small business-related matters. Further, PSC/FSC Codes are requested as optional entries only, while at least one NAICS code is mandated for a complete registration. PSCs/FSCs do not appear to be linked to NAICS codes, and a registrant has the discretion to pick any PSC/FSC desired. This creates the false impression that PSCs/FSCs are superfluous and entirely disconnected from the government’s buying habits, when in reality they are crucial for market research purposes.

Third, small business manufacturers and resellers may lose set-aside opportunities because of buying agencies’ wide discretion and confusing GSA guidance on matching FSCs/PSCs and NAICS codes. Specifically, the *FPDS Manual* contradicts SBA regulations by advising of the possibility of matching product-type PSCs with wholesaler-type and store-type NAICS codes. This contrary FPDS guidance that no choice is right will likely confuse 1105 Purchasing agents or even 1102 Contract Specialist who are not trained in SBA regulations:

A.28 What is the difference between the North American Industrial Classification System (NAICS) and Product and Service Codes (PSC)? Why does FPDS-NG have both? The North American Free Trade Agreement (NAFTA) requires the use of NAICS by the Government. The NAICS classifies commercial activity into broad business categories, such as soybean farming, manufacturer, wholesaler, retail, and services. PSCs describe specific products and services which form the basis for national

stock numbers. Both fields are required because statute requires some reports to be based on NAICS information, some on PSC information, and some, such as the Competitive Demonstration Program, must use both codes. It also helps narrow a search if we allow users to select what they want from two or three filters. For example, we do not buy “PHOTOGRAPHIC AND PHOTOCOPYING EQUIPMENT MANUFACTURING”, “PHOTOGRAPHIC EQUIPMENT AND SUPPLIES WHOLESALERS”, or CAMERA AND PHOTOGRAPHIC SUPPLIES STORES”, we buy cameras. (GSA, *FPDS Manual*, 2013 and 2008).

Fourth, agency procurement officials lack definitive direction on when to seek NMR waivers in order to proceed with a SBR designated for small business resellers. Currently, were a procurement official is unable to determine whether small business manufacturers exist, he or she does not have to ask for NMR waiver. Instead, the procurement official is allowed to simply cancel the SAP Open Market set-aside even if there are two or more small business resellers and award directly to the large business manufacturer. (GAO, *Fluid Power International*, B- 278479, 1997).

Fifth, the GAO gave agency procurement officials guidance which purported to reverse the FAR’s requirement that a SAT level requirement is “automatically reserved exclusively for small business concerns and shall be set aside for small business unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery.” (FAR §19.502-2 (2012)). According to the GAO, even where there are several small business resellers but only one known small business manufacturer, the agency is able to conduct procurements on an unrestricted basis. (GAO, *Adrian Supply Co.*, B-257261, 1994). This GAO guidance seems clearly contrary to the FAR’s expectation that agency buyers will proceed with the set-aside even if it might result in a single small business offer: “If the contracting officer receives only one acceptable offer from a responsible small business concern in response to a set-aside, the contracting officer should make an award to that firm. If the contracting officer receives no acceptable offers from responsible small business concerns, the set-aside shall be withdrawn and the requirement, if still valid, shall be resolicited on an unrestricted basis.”

(FAR §19.502-2 (2012)). Thus, the GAO has effectively blurred the difference between a mandatory and a discretionary SBR.

Sixth and finally, current GAO guidance discourages small business set-asides for supplier where the small business suppliers are non-traditional, new entrants into the government market. Specifically, agencies are allowed to proceed on an unrestricted basis where small business manufacturers exist, but no previous acquisitions at the same contracting office “were successfully conducted on a total small business set-aside basis.” (GAO, *T–L–C Systems*, B–225496, 1987). This GAO guidance creates a vicious cycle whereby small business set-asides for supplies are discouraged based on lack of prior set-aside history within the same contracting or purchasing office regardless of set-aside history elsewhere within the buying agency or within other agencies. As discussed below, this and similar GAO guidance directly undermines the rationale for the main small business market research model currently promoted within the DOD.

## **F. SEVEN (7) GAPS IN CURRENT POLICY GUIDANCE AND TOOLS TO HELP SMALL FIRMS SECURE SAT LEVEL AWARDS**

### **1. Two (2) Gaps in Current OFPP/DOD/DON Guidance**

OFPP, DOD, and DON all issued guidance to buying commands directing them to utilize the mandatory Small Business Reservation (SBR) in SAT level awards. (Stackley, 2012; Office of the Secretary of Defense 2012). Unfortunately, this guidance is not helpful to buying commands looking for potential SAT level small business suppliers or to help those supplier overcome market entry barriers. Rather, the guidance simply restated the Small Business Reservation’s (SBR’s) Rule of Two. For instance, the OFPP guidance stated:

To help the agency increase its contracting with small businesses, please take the following steps in conjunction with every new contract award that has an anticipated dollar value exceeding \$3,000 but not exceeding the SAT: Automatically reserve the work for small business concerns and set aside the contract for small business, unless there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery. If the work is not set aside for small business, document in the contract file the reason for acquiring the service or product on an

unrestricted basis. Please ensure appropriate internal controls are used to monitor compliance with the steps described above. For example, contracting activities may decide to sample contract files to review market research and other documents explaining why the agency purchased the product or service on an unrestricted basis. (OFPP, June 6, 2012.)

The DOD guidance contained identical direction. (Office of the Secretary of Defense, 2012).

*Absent from this guidance are: (1) the criteria for acceptable reasons not to exercise a mandatory SAT level SBR, and (2) the description of internal controls that are or may be appropriate for compliance with the SBR. The guidance makes no distinction between mandatory and discretionary SBRs.*

## **2. Overview of the MAXPRAC Model**

To help buying commands find small business suppliers, DOD and OFPP recommend the use of the so-called Maximum Practicable Opportunity (“MAXPRAC”) Model.

Agencies are encouraged to use the “MaxPrac” tool of the Department of Defense, which helps agencies to analyze their spend data and determine where small business capacity and opportunities are greatest. The Department of Defense has updated the MaxPrac tool with FY 2011 data, which is available as a zip file for download at <http://www.acq.osd.mil/osbp/docs/CivilianAgencyMaxPracFY11-0312.zip>. (OFPP, June 6, 2012.)

This model essentially consists of a DOD components’ contract award data by various NAICS codes as well as PSC portfolios of related codes. The DOD OSBP recommends that procurement officials at individual buying commands and installations use MAXPRAC compare small business participation in specific NAICS categories with that of other Military Departments or DOD agencies:

DOD is also leading the way within the Federal Government on new market research techniques. DOD’s Small Business Maximum Practicable Opportunity (MaxPrac) Analysis identifies potential small business opportunities for specific supplies and services compared to other DOD organizations; it identifies specific contracts being awarded to large businesses that could potentially be satisfied by small businesses. For example, if the Army has a small business performance of 10% in a

certain NAICS code, Army can easily compare its performance to the achievements of other DOD organizations and find specific areas for improvement for small business participation. We also assisted other Federal agencies on use of this analysis within their own organizations, and are working to enhance this tool within DOD so that it can be used to perform a deeper analysis. This initiative ties in with a memo issued by OSBP in coordination with the Director of Defense Procurement Acquisition Policy (DPAP), that encourages contracting officers to utilize market research to identify opportunities for small businesses. DOD has also encouraged the set-aside of tasks from multiple award contracts that are suitable for small businesses.

(Gudger, 2011).

### **3. Five (5) Gaps and Limitations in the MAXPRAC Model**

This model appears to be a useful strategic assessment tool of comparative small business goal achievement between various departments and agencies. However, for at least five (5) reasons, it is not particularly useful as a self-improvement tool or market research tool in individual SAT level procurements in its current form.

First, MAXPRAC reflects the rationale that multi-agency data is a legally sound set-aside tool. Despite DOD OSBP preference for this tool, the GAO cast doubt on whether multiagency successful histories are sound data for purposes of individual set-asides. (GAO *T-L-C Systems*, B-22496, 1987). The DOD OSBP guidance on MAXPRAC has not addressed contrary GAO guidance.

Second, MAXPRAC also incorrectly assumed that the multi-agency aggregate data it contains is accurate and consistent for purposes of market research. However, because of wide discretion to choose NAICS codes given to contracting officers as well as unclear NAICS definitions and taxonomy susceptible of varying interpretations, the contracting officers at various agencies, SBA, and industry can all pick different NAICS codes (Bunting 20132), the MAXPRAC data may not be a reliable tool of market research. To illustrate, as stated above in the *Jess Bruner* case (GAO B- 296533, 2005), the GAO found that even where the “the pre-solicitation notice and RFQ could have been accessed by searching the FedBizOpps site using the correct NAICS code, . . . this code includes many divergent services and postings nationwide; indeed, [during the course of a telephone hearing with the parties,] such a search was conducted and it yielded well

over 900 different postings.” Similarly, MAXPRAC’s grouping of hundreds or thousands of different contracting opportunities awarded by other agencies nationwide would not necessarily help a contracting officer or procurement agent to correctly determine whether small business suppliers can be found to meet the Rule of Two on a particular SAT level contract. Yet another illustration was provided above in the discussion of large agency Indefinite Delivery Vehicles (IDVs) or Multiple-Award Contracts (MACs) combining widely diverse requirements under a single NAICS code. Command-level data will be a much better predictor of similarities or differences in awards using similar NAICS or PSC classifications.

Third, MAXPRAC is built on another legally incorrect assumption, namely, that a buying command can or will make all requirements advertising within a particular NAICS category available to all potential suppliers. This is a rule solely for Open Market procurements over \$25,000:

The simplified acquisition procedures require notice of procurements in excess of \$25,000 in accordance with the Small Business Act, 15 U.S.C. sect. 637(e), and the Office of Federal Procurement Policy Act, 41 U.S.C. sect. 416 (2000).[FN6] A notice must provide an “accurate description” of the property or services to be purchased and must be sufficient to allow a prospective contractor to make an informed business judgment as to whether to request a copy of the solicitation. 15 U.S.C. sect. 637(f) (2000); Information Ventures, Inc., *supra*. Additionally, “[a] publication of a notice of solicitation by electronic means meets the requirements for accessibility ... if the notice is electronically accessible in a form that allows convenient and universal user access” through the GPE. 41 U.S.C. sect. 416(a)(7) (2000). (GAO, *Jess Bruner Fire Suppression*, B- 296533, 2005).

However, under FAR Subparts 5.1 and 5.2, 8.4, 13.3, and 16.5, these rules do not apply to IDV task and delivery order posting, and especially to orders within IDV Strategic Sourcing Initiatives (e.g., furniture and office supplies) where competition is further restricted through Blanket Purchase Agreements.

Fourth, MAXPRAC does not take into account the time-sensitive customer demands and resulting Procurement Administrative Lead Time (PALT) limitations which apply to SAT level procurements. Comparing other agencies’ small business performance is likely to delay the lead times of SAT level purchasing or contracting offices.

Fifth, MAXPRAC does not take into account the difference in skill sets and warrant authorities of 1105 Purchasing and 1102 Contracts Specialist series.

Clearly, there is a need for an alternative model which captures and considers NAICS and PSC histories specific to the agency, buying command, and contracting office at issue.

## **G. INSTITUTIONAL AND SYSTEMIC BARRIERS**

Existing literature shows that small firms are capable of performing a wide range of defense contracts, but face numerous barriers in obtaining them. These barriers extend to SAT level contracts despite their relatively low value and the FAR 19 SBRs.

### **1. The 2012 House Committee on Armed Services *Business Challenges Report***

In this recent House Committee on Armed Services Report, *Challenges to Doing Business with the Department of Defense: Findings of the Panel on Business Challenges in the Defense Industry*, dated March 19, 2012, a Congressional panel examined the challenges experienced by defense industry vendors. It reported several areas of concern, including problems with the industrial base, small business challenges, DOD organization, and the challenges of the Defense Acquisitions System (DAS).

Defense industrial base challenges include a lack of information, guidance, and interaction from DOD concerning future contracting opportunities. Furthermore, the panel found that the DOD procurement policies do not address their practical implementation at the award level.

The panel noted that the United States lacks a solid program to secure the defense industrial base and calls for more interaction from DOD senior leadership to inform industry suppliers about government policy. Lacking direction and clear guidance, many companies shy away from investing their research and design budgets with the DOD. When DOD does engage industry in discussion, large businesses are often well-informed while small and medium businesses are left in the dark. The panel notes that the industrial



base is shrinking and DOD needs to stimulate growth in the industrial vendor pool. The panel also says that DOD policies concerning procurement are not drafted with practical, award-level implementation in mind.

The organization of the Department of Defense also causes problems. Specifically, the contracting workforce is understaffed and has a large knowledge gap. Solicitation periods are short and a large amount of information is requested by DOD. Even if the Small Business Specialists (SBS) at the award level know the marketplace and are involved in the acquisition, they are too understaffed to be effective.

Potential vendors experience barriers and challenges when searching Federal Business Opportunities (FedBizOpps.gov or FBO.gov) for contracting opportunities. Companies need a dedicated staff just to respond to a solicitation. Short solicitation time periods and the immense amount of information required are a heavy undertaking for a small business.

Navigating the defense acquisitions system is difficult because federal regulations are extremely complex. Small business vendors face three sets of regulations and supplements: FAR, Defense Federal Acquisition Regulation (DFAR), and agency specific regulations, for example Navy and Marine Corps Acquisition Regulations (NMCAR). This does not include the SBA regulations in Title 13 of the Code of Federal Regulations, which also govern small business contracting.

## **2. SAT-Level Specific Barriers**

Barriers at the SAT level are examined in a recent article in The Washington Post, titled *Big Firms Edge Small for Billions of Dollars in Awards*, dated November 18, 2012. Procurements between \$3,000 and \$150,000 are to be reserved for small business at the contracting official's discretion. This article points out that despite the small business reservation under SAT, small businesses still face an impediment when awards going to large businesses. In 2006, 38 percent of the SAT awards went to large businesses. In the next five years, the SAT awards to large business increased: in FY 2011, 45 percent of awarded orders went to large businesses. According to various legal and small business advocacy experts, the chief challenges include: (1) poor staffing and training of the

acquisition workforce, (2) ease of awards under FSS and other IDV contracting mechanisms, and (3) excessive use of sole sourcing exemptions.

### **3. GSA FSS-Specific Challenges**

The Hearing before the House Small Business Committee, *Subcommittee on Contracting and Workforce, Scheduling Success? Issues and Opportunities for Small Businesses on the GSA Schedules* dated June 7, 2012, highlights several barriers that small business face in regards to GSA Federal Supply Schedules/Multiple Award Schedules MACs. The main focus is on the paperwork burden and expense of obtaining an award on a MAS schedule, and on problems associated with minimum and maximum sales goals.

First, obtaining a position on any GSA schedule is not an easy endeavor. The process and documentation needed are intense and many small business vendors pay a third party to facilitate the paperwork and application processes. Lengthy application periods are likewise encountered.

Second, even vendors on the Multiple Award Schedule (MAS) Indefinite Delivery Indefinite Quantity (IDIQ) schedule may not make profits. According to the hearing,

Awardees are not guaranteed any set amount of sales during the five year base period of the contract, but instead, each is simply guaranteed a minimum sale of \$2,500 over those five years. (*HSBC*, 2012, p. 2)

There are difficulties for businesses that do not meet the minimum sales requirement of \$25,000. “Since GSA estimates that over fifty percent of new firms will not meet the minimum sales requirements, that means many of these firms will also lose their contracts” (*HSBC*, 2012, p. 11).

Third, this hearing reveals the exclusionary terms of the GSA’s Federal Strategic Sourcing Initiative (FSSI), using the example of office supplies under the GSA Schedule 75, Office Supply (OS) II Blanket Purchase Agreements (BPA). At the time of the Request for Quote (RFQ) on schedule 75, 90 percent of the vendors were small

businesses (*HSBC*, 2012, p. 6). As a result, only 48 vendors responded to the RFQ. The final BPA award included 13 small businesses.

The example of the OS II BPAs shows how the statutes and regulations can be a barrier to competition and non-traditional supplier growth.

Certain statutory and administrative requirements made many over 80 percent of the vendors ineligible. Some requirements, such as the requirement to be an AbilityOne authorized reseller, the requirement to comply with the Trade Agreements Act, and other environmental requirements, were not within GSA's discretion—awarding BPA's to companies not following these rules would have resulted in GSA itself breaking the law. (*HSBC*, 2012, p. 6)

In the example of the OS II BPA, the reduction in the competitive pool due to statutes and regulation made small businesses ineligible. Overall, the hearing shows how schedules are not always helpful to small businesses. Impediments include cumbersome application and award processes and the threat of cancelation due to lack of sales.

#### **4. Set-Aside Discretion in IDV Contracting**

In the 2013 article titled *Once More, With Feeling: Federal Small Business Contracting Policy In The Obama Administration*, Drs. Kidalov and Snider portrayed the discretion given to the contracting officers (1102 Contract Specialist series if civil service) as both a help and a hindrance to small business awards. Kidalov and Snider highlight the issue of contracting professionals' discretion in dealing with small business, and find that mandates for when to use discretionary small business set-asides under the Small Business Jobs Act are lacking or insufficient. Contracting professionals are directed to achieve small business contracting goals by regulations that include language like "shall," "at least," "maximum practicable," and "fair share." In contrast, Section 1331 of the Small Business Jobs Act gives buying agencies discretion whether to use total set-asides and similar tools like partial set-asides and "reserves." Section 1331 gives the contracting professional the "choice" to award to a small business or other than small business. The "Rule of Two" for SAT level awards added to the Small Business Act in 1994 states that if two or more small businesses can reasonably fulfill the requirement, then the procurement "shall"—not "should"—be set aside.

The SBA, the Office of Management and Budget (OMB), and the DOD attempted to merge these concepts of intentional discretion in their policies and guidance to require specific procedures and mandate for maximum practicable small business participation. Nonetheless, Contracting Officers are required deal with a patchwork of different processes and standards when they exercise discretion. Many of these standards and processes also contain justifications for avoiding small business contractors. Thus, the discretion given to Contracting Officers can be both a tool and a barrier to small business awards.

## **H. TOOLS AND BEST PRACTICES TO MAXIMIZE SMALL BUSINESS PARTICIPATION IN SAT-LEVEL CONTRACTING**

### **1. The Small Business Reservation: FAR 13.003**

According to FAR 13.003, if a requirement under \$150,000 is not set aside for small business, the Contracting Officer must document the contracting file with a justification and send a request for the dissolution of the SBR to the agency or command Office of Small Business Programs (OSBP) on Form DD2579, Small Business Coordination Record. In situations where the reservation is for small business and no small businesses submit a quote, the Contracting Officer must request that the set-aside be dissolved and re-solicited as unrestricted requirement. If the Rule of Two is not met as part of market research, the SBR determination can be dissolved at the Contracting Officer's discretion.

### **2. The Rule of Two: Mandatory Small Business Reservation for FAR Part 13 Open Market Procurements per FAR 19.502–2, Total Small Business Set Asides**

FAR 19.502–2 elaborates on the FAR 13.003 directive for automatically setting aside the requirement for small business. It introduces the so-called mandatory SBR “Rule of Two,” which requires that a SAP requirement be set aside for small business unless the Contracting Officer finds there is no reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery (FAR Subpart 19.502–2, 2013). In order to identify

such firms, market research must be conducted in accordance with FAR Part 10 Market Research (Federal Acquisition Regulation, 2013).

### **3. Discretionary Small Business Reservation: Small Business Jobs Act of 2010**

Section 1331 of the Small Business Jobs Act of 2010 authorizes the buying agencies, at their discretion, to use total or partial small business set-asides and small business “reserves” on IDV/IDCs, including FAR Subpart 8.4 FSS and FAR Subpart 16.5 agency MACs/IDIQs. In the view of the SBA, the mandatory SBR which applies to FAR Part 13 Open Market procurements operates simply as a discretionary partial small business set-aside on MAC orders.

The SBA has ... seen instances where agencies will issue a multiple award contract using full and open competition, but state in the solicitation that all orders valued at less than a certain dollar threshold (e.g., \$150,000) are “reserved” for small businesses. However, we believe that this could actually be a partial set-aside, since the agency could place into a separate category all orders at this dollar threshold, but welcomes comments on this issue. 13 CFR Parts 121, 124, 125 et al., Acquisition Process: Task and Delivery Order Contracts, Bundling, Consolidation; Proposed Rule, Federal Register /Vol. 77, No. 95 /Wednesday, May 16, 2012 / Proposed Rules 29141. (Small Business Jobs Act, 2010)

### **4. Cascading/Tiered Strategy for Small Business Participation in Unrestricted Procurement**

Cascading/Tiered Small Business Acquisition strategy under DFARS 215.203-70 (2011) is the currently available analogy to the “reserve” tool that the SBA proposes for MAC/IDIQ orders. Where market research does not identify willing and capable small firms, the existing Cascading/Tiered DFARS authority allows an agency to state in the solicitation its intent to reserve one or more low-dollar task or delivery order awards for small businesses, and to reserve an Open Market acquisition for small businesses.

This DFARS authority matches the SBA’s proposed so-called “reserve” tool. The SBA’s reserve would apply to an agency that cannot find appropriate small businesses but believes some may be able to perform low-dollar task or delivery orders. Under the proposal, the MAC/IDIQ awarding agency could announce its intent to reserve an award

for work within the specified dollar range if one or more small firms come forward (SBA, 2012). The DFARS authority empowers buying agencies issuing task and delivery orders. The SBA reserve primarily empowers the agencies that award the base contracting awards of IDIQs/MACs. Because of existing DFARS cascading authority, buying commands do not need to wait for the SBA reserve to apply cascading to their task or delivery order solicitations.

Specific provisions of DFARS 215.203–70 include the following.

(a) The tiered or cascading order of precedence used for tiered evaluation of offers shall be consistent with FAR Part 19.

(b) Consideration shall be given to the tiers of small businesses (e.g., 8(a), HUBZone small business, service-disabled veteran-owned small business, small business) before evaluating offers from other than small business concerns.

(c) The Contracting Officers is prohibited from issuing a solicitation with a tiered evaluation of offers unless—

(1) The Contracting Officers conducts market research, in accordance with FAR Part 10 and Part 210, to determine—

(i) Whether the criteria in FAR Part 19 are met for setting aside the acquisition for small business; or

(ii) For a task or delivery order, whether there are a sufficient number of qualified small business concerns available to justify limiting competition under the terms of the contract; and

(2) If the Contracting Officers cannot determine whether the criteria in paragraph (c)(1) of this section are met, the Contracting Officers includes a written explanation in the contract file as to why such a determination could not be made (Defense Federal Acquisition Regulation Supplement, 2013)

## **5. Senior Leadership Performance Accountability for Small Business Participation**

The Deputy Secretary of Defense (DEPSECDEF) points out in this memorandum, titled *Advancing Small Business Contracting Goals* dated February 10, 2012 that not all responsibility for meeting small business goals falls on the Contracting Officer. In his view, Senior Executive Leadership (SEL) should be held accountable as well. For FY 2012, meeting DOD small business goals is a mandatory factor for in the “Contribution to Mission Accomplishment Performance Element for Executives.” This affects executives who acquire services or supplies, direct other DOD organizations to acquire

services or supplies, or oversee acquisition officials, including program managers, Contracting Officers, and other acquisition workforce personnel responsible for formulating and approving acquisition strategies and plans.

Senior Executives in charge of commands with FPDS-NG reportable acquisition capability are being evaluated in part on their outreach to small business and the role of small business in command mission support. The use of these criteria for assessing senior leadership is a tool for a top down approach to fulfilling installation small business goals (Deputy Secretary of Defense, 2012).

## **6. DON SAT Level Awards Small Business Goal of 86.16 Percent**

The DON memorandum, dated December 13, 2012, titled, Meeting Small Business Goals in FY 2013 specifies that 86.18 percent of all SAT level awards be awarded to small business. The memo addresses several components to consider when building a small business strategy. One example is planning to execute maximum use of the set-aside authority within MAC vehicles where appropriate and applicable (Secretary of the Navy, 2012, p. 1). Another example is OSBP participation in contract service courts and measures to align outcomes with small business targets (Secretary of the Navy, 2012, p. 1).

The FY 2013 small business goals are ambitious. The 86 percent SAT level small business goal is a tool for contracting professionals to use in procurement planning and execution of contracting requirements (Secretary of the Navy, 2012).

## **7. Small Business Set-Asides on MACs**

*Maximizing Opportunities for Small Business under the Simplified Acquisition Threshold* dated June 6, 2012, is a dual memorandum from the OMB and SBA. This memorandum reiterates the importance of small business set-asides under SAT. An independent study shows that many SAT awards do not go to small business, so there is concern about accountability for internal controls and increased utilization of small business. Agencies are asked to review their small business practices and are also instructed to report to OMB.

In this memorandum, Contracting Officers are reminded to use SAT as tool for awarding contracts to small business. In addition, for GSA MACs, the added drop-down menu restricting procurement to small business provides another discretionary tool (Defense Procurement and Acquisition Policy, 2012).

## **8. GWPC Small Business Goals, Training, and Market Research Requirements**

The memorandum titled, *Increasing Opportunities for Small Business in Purchase Card Micro-Purchases* dated, December 19, 2011, states that GWPC cardholders should consider small businesses for purchases under the \$3,000 micro-purchase threshold. It is not required that these low-dollar purchases be set aside for small business (OMB, 2011). The memorandum directs agencies to adjust the cardholder training to include the importance of buying from small business. This directive gives all GWPC holders a tool to set aside purchases for small businesses.

Federal agencies are reminded of the importance of considering small businesses when buying goods and services at or below the micro-purchase threshold.<sup>1</sup> Although these low-dollar purchases are not subject to small business set-aside requirements (15 U.S.C. § 644(j)), this memorandum serves as a reminder that agency purchase cardholders should consider small businesses, to the maximum extent practicable, when making micro-purchases. . . . Accordingly, agencies shall update their purchase cardholder training to include appropriate consideration of small businesses and provide appropriate direction to the purchase cardholders at the next practical opportunity but no later than six months from issuance of this memorandum. Additionally, each agency's senior card manager should take advantage of [OMB] guidelines and reporting tools provided under the GSA SmartPay® program. Based on this information, agencies shall adjust cardholder training as needed to help ensure cardholders continue to place a reasonable proportion of micro-purchases with small businesses, consistent with agency mission support needs. (Office of Management and Budget, 2011)

This memorandum goes on to direct agencies to adjust the cardholder training to include the importance of buying from small business. This direction gives not only Contracting Officers but all GWPC holders the tool to set aside purchases for small businesses. The use of this tool cannot be assessed through FPDS, however, because GWPC data is not supposed to be entered into FPDS as explained above in Chapter I.



**9. Installation Level Outreach to Non-Traditional Suppliers and PTAC Effective Utilization**

On January 7, 2011, Section 891, Expansion of the Industrial Base, was added to 10 USC 2501 of the NDAA. Section 891 directs the Secretary of Defense to establish a program to increase the industrial base through outreach to nontraditional suppliers and through increased, more effective use of PTACs. The provisions of Section 891 are as follows (NDAA, 2010).

- (a) **Program To Expand Industrial Base Required**—The Secretary of Defense shall establish a program to expand the industrial base of the Department of Defense to increase the Department's access to innovation and the benefits of competition.
- (b) **Identifying and Communicating With Firms That Are Not Traditional Suppliers**—The program established under subsection (a) shall use tools and resources available within the Federal Government and available from the private sector to provide a capability for identifying and communicating with firms that are not traditional suppliers, including commercial firms and firms of all business sizes, that are engaged in markets of importance to the Department of Defense in which such firms can make a significant contribution.
- (c) **Outreach to Local Firms Near Defense Installations**—The program established under subsection (a) shall include outreach, using procurement technical assistance centers, to firms of all business sizes in the vicinity of Department of Defense installations regarding opportunities to obtain contracts and subcontracts to perform work at such installations.
- (d) **Industrial Base Review**—The program established under subsection (a) shall include a continuous effort to review the industrial base supporting the Department of Defense, including the identification of markets of importance to the Department of Defense in which firms that are not traditional suppliers can make a significant contribution.
- (e) **Firms That Are Not Traditional Suppliers**—For purposes of this section, a firm is not a traditional supplier of the Department of Defense if it does not currently have contracts and subcontracts to perform work for the Department of Defense with a total combined value in excess of \$500,000.
- (f) **Procurement Technical Assistance Center**—In this section, the term procurement technical assistance center means a center

operating under a cooperative agreement with the Defense Logistics Agency to provide procurement technical assistance pursuant to the authority provided in chapter 142 of title 10, United States Code.

This statute directs the DOD, agencies, and Contracting Officers to use the tools of outreach and buying command self-analysis in regard to small business non-traditional suppliers. The PTACs are specifically directed to serve as tools to increase the industrial base.

#### **10. Planned Small Business Acquisition Briefings**

To better publicize future business opportunities, NMCARS § 5219.202 - Encouraging Small Business Participation in Acquisitions provides that:

Contracting activities should, when practicable, conduct briefings on planned acquisitions for small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns, and Historically Black Colleges and Universities (HCBUs) and Minority Institutions (MIs). (Navy and Marine Corps Acquisition Regulation Site, 2013 & Defense Federal Acquisition Regulation Supplement, 2013)

#### **11. Characteristics of Highly Successful Federal Agencies in Terms of Small Business Participation**

The SBA Advocacy Report, titled; *Characteristics of Recent Federal Small Business Contracting*, dated May 2012, notes that agencies with the following characteristics have more success meeting their small business goals. Highly successful agencies have effective outreach to small business and good management of existing small business relationships. Successful agencies break out the tasks to better include the capabilities offered by small business. According to the report, an organized multifaceted plan allows an agency to have more success with small business participation. Small business goals are more likely to be met when: (1) there is a high utilization rate of new small businesses; (2) small business sector makes up a large share of the agency's contract; (3) a large share of agency contracts are firm fixed priced; (4) agencies utilize small businesses more intensely; (5) agencies attract new small firms to their agency; (6) agencies retain small firm participation longer by losing fewer small firms each year

(than low achieving agencies); (7) agencies, in some cases, spend more on either services or manufacturing; (8) agencies negotiate contracts with small firms despite conducting large procurements; (9) agencies keep the number of task and delivery orders per contract relatively low; (10) agencies utilize the socioeconomic set-aside programs more intensively; and (11) agencies award more dollars in full and open competition. (Small Business Administration, 2012, p. 9).

## **I. CONCLUSION**

A review of the literature shows that SAT level procurements are anything but simple. Four different contracting methods exist for these procurements. The authority to use these methods is neither uniform, nor progressively hierarchical among the contracting, purchasing, and GWPC personnel communities. Further, each of these methods comes with different vendor pools, different sets of available NAICS categories, stove-piped online publicity portals, and varying competition standards such as fair opportunity or maximum practicable. Timelines vary, as do workforce training and oversight documentation practices. These four contracting methods are subject to different standards on small business set-asides, ranging from mandatory SBR to discretionary partial set-asides and reserves. Systemic barriers in the defense acquisition system, such as lack of transparency, unenforceable SBR policy, exclusionary terms on IDVs, and confusing discretionary policies further complicate and exacerbate these problems.

The tools available to procurement officials for enhancing small business participation in SAT level awards are not tailored to overcoming SAT level specific or systemic barriers. With the exception of DFARS cascading authority, these tools basically amount to recitations of existing laws and regulations.

*It is clear that a fundamentally different approach is needed to improve small business participation in SAT level procurements. This approach must be narrowly tailored to each buying command's practices as well as to the specifics of SAT level environment. The information provided in the above literature and legal review shows that buying commands have an opportunity to organically increase small business*

*participation and grow non-traditional small business suppliers by addressing specific, identifiable barriers to their participation.*

### III. THE CASE STUDY SETTING: NPS SAP CONTRACTING ENVIRONMENT

#### A. OVERVIEW OF NPS PROCUREMENT PRACTICES

The Naval Postgraduate School (NPS) is a military educational and research institution established under the authority of 10 U.S.C. §§7041-7050 (2012). It is composed of four schools spanning the entire mission of the DON and the DON: the Graduate School of Business and Public Policy (GSBPP), the Graduate School of Engineering and Applied Sciences (GSEAS), the Graduate School of Operational and Information Sciences (GSOIS), and the School of International Graduate Studies (SIGS). As such, NPS contracting requirements constitute a microcosm of the overall DON requirements. The mission of NPS is to

provide high-quality, relevant and unique advanced education and research programs that increase the combat effectiveness of the Naval Services, other Armed Forces of the U.S. and our partners, to enhance our national security. The FY 2012 NPS operating budget was approximately \$368,600,000. (Naval Postgraduate School, 2013)

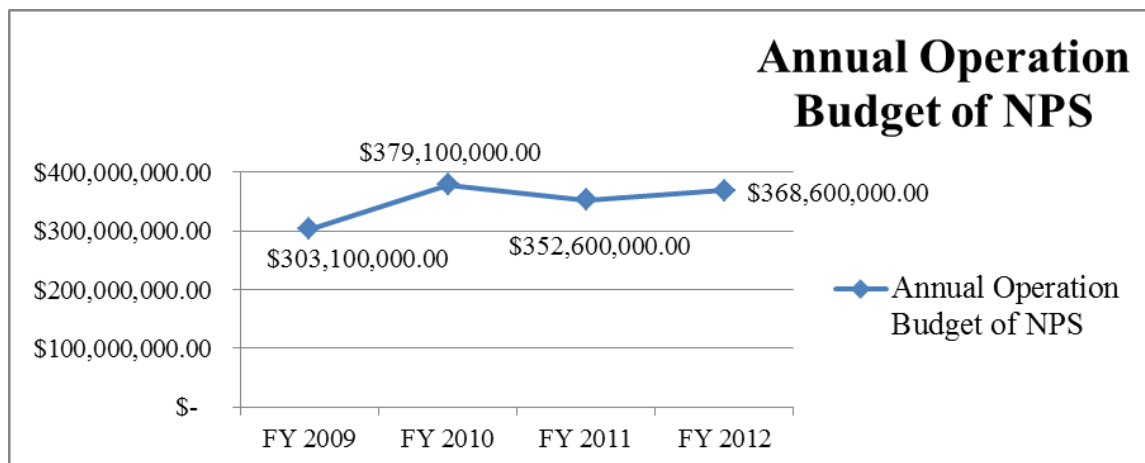


Figure 1. Historical NPS Operating Budget (NPS Annual Report, 2009–2012)

## **1. NPS SAT Level Contracting Structure**

The contract data utilized in this study concerns actions funded and awarded by the NPS SAP Contracting Office, formally known as the Directorate of Contracting and Logistics Management.

Co-located on the installation with the NPS SAP Contracting Office are two other procuring entities: the NPS Naval Support Activity Monterey (NSAM), which is an activity of the Commander Naval Region Southwest, and Moral Welfare and Recreation (MWR), which is an activity of the Navy Exchange Command. The three entities have separate functions on the NPS campus and different oversight commands.

The NPS SAP Contracting Office executes the educational and research mission requirements. The physical facilities belong to NSAM and NPS is the resident tenant. NSAM has an onsite contracting department to facilitate the Military Construction (MILCON) activities of the installation.

## **2. Historical NPS Procurement Practices Leading to Creation of NPS SAT Level Contracting Office**

Before the establishment of the NPS Contracts Office SAP warrant authority, all requirements over the micro purchase threshold for service support (\$2,500) were awarded by Fleet Logistics Center San Diego (FLC SD) and Naval Supply Weapons System Support (NS WSS, now part of FLC Norfolk). Research, educational and administrative mission essential support service requirements were fulfilled under a single IDIQ Time and Materials contract type award, administered by FLC SD. This contract expired at the end of 2011. NPS has had existing warrant authority to procure from the IDVs of GSA and NASA, up to \$150,000 only for fixed firm price products to be paid via Governmentwide Purchase Card. All Open Market products over \$3,000 and IDV products over \$150,000 were procured by FLC SD.

NPS was granted SAP warrant authority by FLC San Diego in December 2011. The addition of a SAP warrant provided NPS with the authority to self-support the research and education mission for requirements of needed services and products under FAR Part 13 SAP for FFP type awards under the \$150,000 SAT threshold requirements.

Requirements over \$150,000 are awarded using the approach of assisted contracting FLC SD.

### **3. NPS Procurement Spending Procured in FY 2011 and FY 2012**

The dollars contracted out for products and services in FY 2011 and FY 2012 are roughly a quarter of the annual operating budget. Table 2 shows the amount of NPS dollars procured by NPS, FLC SD, and FLC Norfolk (formally NAVSUP Weapons System Support).

Table 2. NPS Funded Procurements for FY 2011 and FY 2012

| Year    | NPS Micro-Purchase Dollars | *NPS SAT Level Contracting Dollars | FLC SD Contracting Actions | NS WSS Contracting Actions | Total Amount of Dollars Procured |
|---------|----------------------------|------------------------------------|----------------------------|----------------------------|----------------------------------|
| FY 2011 | \$6,074,302.07             | \$13,102,168.35                    | \$55,919,091.66            | \$19,355,382.59            | \$94,450,944.67                  |
| FY 2012 | \$5,993,930.88             | *\$16,743,925.74                   | \$53,931,587.53            | \$13,149,413.47            | \$89,818,857.62                  |

\*December 2011 (FY 2012) is when the NPS Contracting Directorate began awarding contracts under the NPS 1102 Warrant. This informational data is from FPDS-NG, 2013.

### **B. BASELINE CHALLENGES EXPERIENCED BY NPS IN MAKING SAT LEVEL SMALL BUSINESS AWARDS**

The following information is based on the author's experience as an 1102 Contracts Specialist in the NPS Contracting Office Directorate.

NPS contracting officials are conscious of small business awards. The challenge is identifying small businesses that can meet the research technical specifications registered on the System for Award Management (SAM) or under the IDVs authorized by the 1105 and 1102 Certificate of Appointment procurement warrants.

The combined mission of NPS is education and research, and the majority of end users at NPS are technical subject matter experts. Unlike single mission commands, at NPS many procurement requirements can only be satisfied under FAR Subpart 6.302 Sole Source Awards. Market research reveals that many of these sole source vendors are only available in the Open Market. Because the requirements are often highly technical, large business sole source is the only procurement option. In addition, support for the educational mission means that many awards involve sole source requirements. Often awards are made for nonprofit entities, other educational entities, academic accreditations and memberships, all of which are categorized in FPDS as “other than small business.”

Even when a requirement is competitive, many of the vendors identified by FAR Part 10 Market Research are not available on IDVs. When conducting market research, procurement officials and end users have difficulty finding NAICS Codes and PSC that fit both the technical requirements and the small business reservation for manufacturers or small business resellers. To fulfill the mission of NPS requires high levels of technical capability and subject matter expertise. It is a challenge for procurement officials to find competition among small businesses to meet the Rule of Two.

The NPS SAP Contracting Directorate does not have an OSBP, SBP, or SBS located within the Monterey area. The OSBP overseeing NPS is physically located at FLC SD and the SBP is extremely responsive to NPS small business inquiries. The challenges that NPS procurement officials experience in market research and solicitation planning are a result of minimal small business competition. Simply put, the technical requirements of the procurement make it hard to find small business suppliers and resellers. To date, there is a rather limited local small business vendor pool to meet the NPS SAP requirements as set forth through its commonly used NAICS and PSC classifications.

### **C. CONCLUSION: NPS AS A TEST CASE FOR SAT-CENTRIC SMALL BUSINESS PROGRAMS**

The NPS, with its virtually singular focus on SAT level procurements and a mission that spans the spectrum of DON enterprise requirements, is an ideal test case for



evaluating the effectiveness of SAT level contracting mechanisms, identifying barriers to small and nontraditional business participation, and recommending incremental changes to small business fundamentals, agency guidance, and other tools. As a result, NPS can be the test case agency where specific foundational principles for increasing small business awards can be designed, tested, and deployed. DON OSBP can use those principles and methods DON-wide for command-level improvement of small business participation.

#### **IV. BUYING COMMAND CASE STUDY: THREE APPROACHES TO ASSESSMENT OF PROSPECTIVE PARTICIPATION IN NPS SAT LEVEL AWARDS**

##### **A. INTRODUCTION TO THE DATA SET: FY 2012 FPDS-NG REPORT**

The NPS funded SAT procurements from 2012 are examined, with a focus on small and large business awards, competition and the issue of single offer awards.

The SAT procurement spent in FY 2012 by NPS totals \$19,875,422.19, involving 692 total SAP purchase and task order awards. For the purposes of this study, only the procurement actions under the SAT level of \$150,000 are examined.

The data consists of the FY 2012 SAT contracting actions reported in FPDS-NG. This report is used to show the amounts of small versus large business in the SAT awards. The analysis also compares the Open Market procurement environment and the IDVs that NPS is authorized under its 1105 (Purchasing Agent) and 1102 (Contracting) warrants. In addition, the FY 2012 SAT FPDS-NG Report provides the information for comparing sole source and competitive procurements.

##### **B. SAT LEVEL SMALL BUSINESS PARTICIPATION ASSESSMENT BASED ON COMBINED THEMES AND CRITERIA FROM SBA ADVOCACY AND BETTER BUYING POWER LITERATURE**

This section will evaluate small business participation in SAT level procurements at a buying command level using criteria and themes raised above in discussions of the 2012 SBA Advocacy report *Characteristics of Recent Federal Small Business Contracting* as well as both *Better Buying Power* initiatives.

###### **1. Frequency of NPS-Funded Small Business SAT Awards**

The FY 2012 SAT FPDS Report shows the amount of dollars and number of awards for small and large businesses.

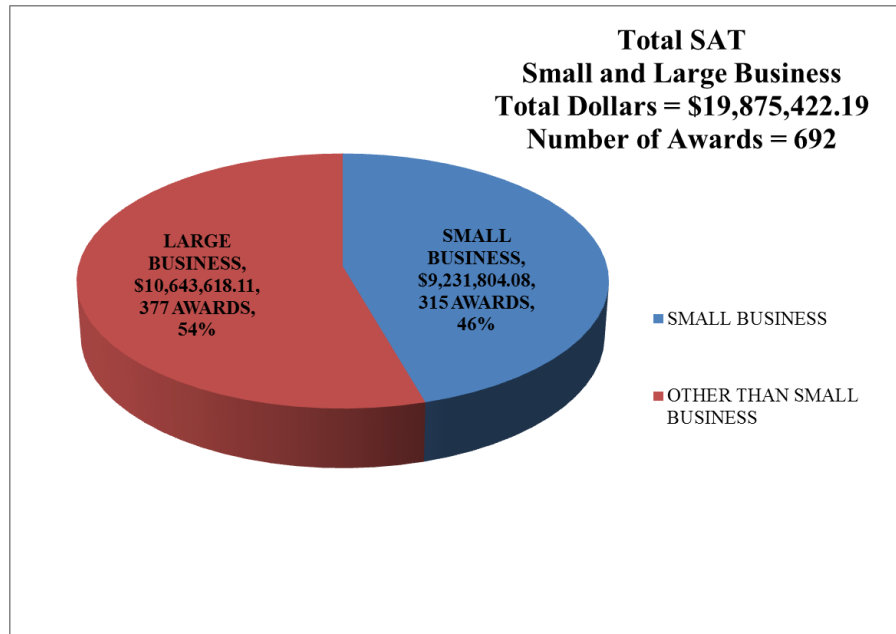


Figure 2. Small Business vs. Large Business SAT Level Awards

**Analysis.** Out of 692 awards, large business received 62 more awards than small business. The percentage difference of awards between small business (46 percent) and large business (54 percent) is only eight percent.

**Finding.** The FY 2013 small business spending goal under SAT is 86.16 percent. *To meet the goal in FY 2013, at least 40 percent of current SAT spending would have to be redirected to small business. Thus, the targeted small business spending value would have to equal \$17,124,663.75, an increase in value of \$7,892,859.67. Current small business spending would have to almost double as would the number of awards.* Data analyzed below addresses the feasibility of attaining this goal. *To increase small business participation, each buying command should consider establishing an internal minimum “floor” goal for the share of SAT level awards going to small business.*

## 2. IDV and Open Market NPS Funded SAT Awards’ Favorability To Small Business

The FY 2012 SAT FPDS Report provides data regarding small and large business awards under IDVs and in the Open Market.

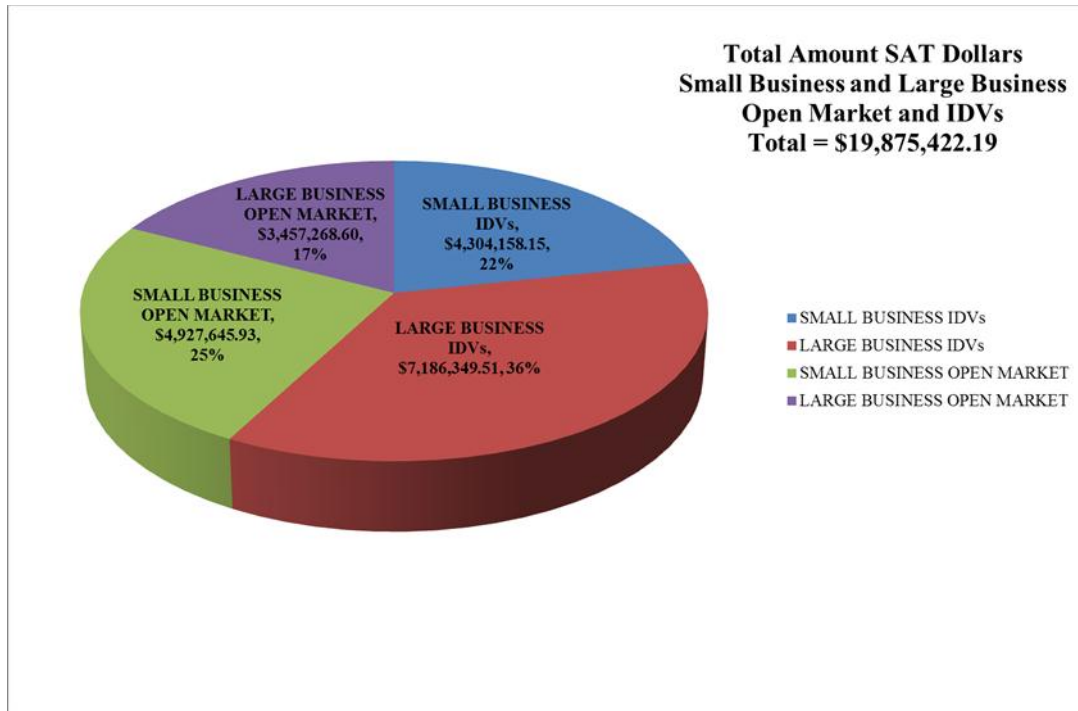


Figure 3. SAT Level Award and Spending Distribution of Small and Large Businesses Under IDVs and the Open Market

**Analysis.** The FY 2012 FPDS Report categorizes the 692 awards by open market and specific IDVs. The small and large business information in Figure 3 is broken down by Open Market and IDV small and large business awards. Small business has the larger amount of Open Market awards, 25 percent of all awards, while large business Open Market awards comprise 17 percent of the total. Large business has 36 percent of awards under IDVs, compared with 22 percent of IDVs awarded to small business.

**Finding.** *FAR Part 13 Open Market procurements are more favorable to small business, while SAT level IDV orders are generally more favorable to large business. Out of all the 2012 NPS SAT awards, more awards are made to small businesses in the competitive environment. Small businesses obtain more awards in the open market and large businesses dominate the IDVs. These findings appear to meet the successful goaling criteria developed by the SBA Office of Advocacy.*

### 3. Frequency of Use of SAT Small Business Reservation Set-Asides In Open Market and IDVs

The FY 2012 SAT FPDS Report provides information on the number of awards set aside for small business, the small business socioeconomic categories, and instances when no set-asides are used.

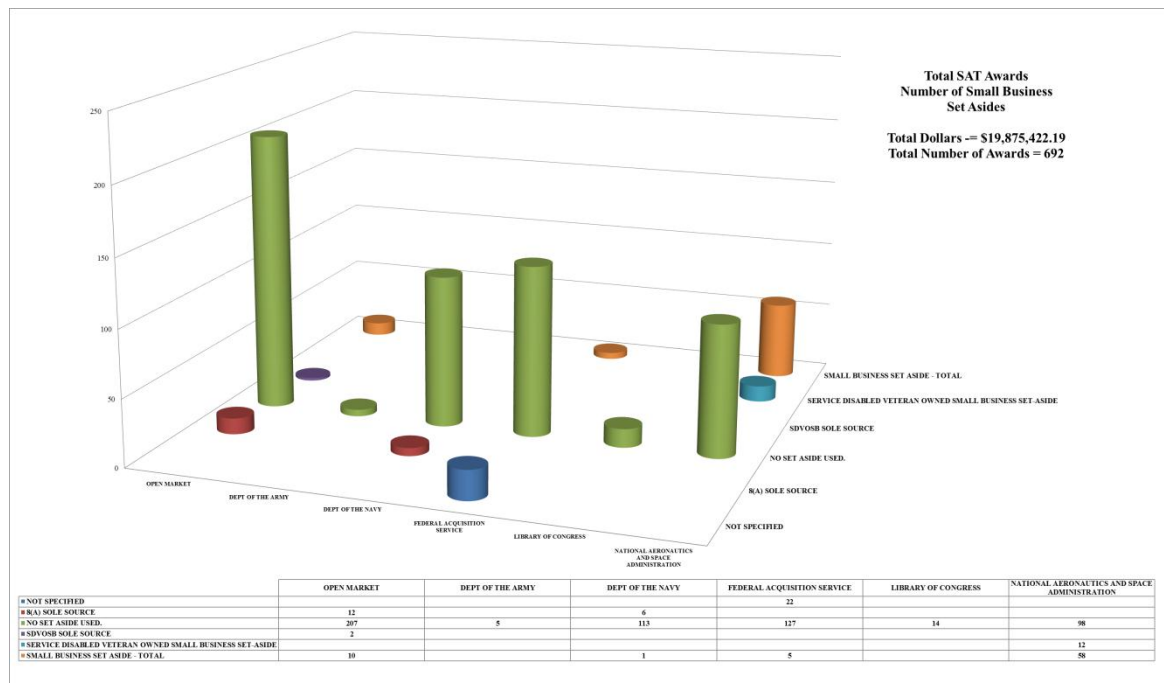


Figure 4. Total Number of SAT Level Awards Under Small Business Set-Asides

**Analysis.** Figure 4 illustrates the breakdown of the FY 2012 SAT NPS awards according to Small Business Set Asides (SBSA), encompassing mandatory and discretionary SBRs as well as sole source set-asides. *In all of the NPS SAT awards, in 85 percent (562), no set-asides were used, while 15 percent (130) were set aside within various types of small business categories.* In both the IDVs and Open Market, the dominant method is not to use set-asides. Section 8(A) Sole Source is used in the DON IDV and Open Market. Only in the Open Market is the category of Service Disabled Veteran Owned Small Business (SDVOSB) used as a sole source. National Aeronautics and Space Administration (NASA) Solutions for Enterprise-Wide Procurement (SEWP) is the IDV that used the most SDVOSB set-asides. SBSA are used in the Open Market, DON, FAS, and NASA SEWP. Of the total Small Business Total Set Asides, NASA

utilized the most small business set-asides and socioeconomic categories, resulting in 58 awards. The data shows that the small business set-aside is an effective tool to increase small business awards.

**Finding.** *Small business set-asides are underutilized in SAT level procurements overall, and especially in the FAR Part 13 Open Market awards. Use of set-asides in IDVs is mixed, depending largely on the terms established by the IDV agency. The Department of the Navy OSBP as well as a buying command such as NPS should take action to evaluate favorability of IDVs it uses for small businesses.* Certain IDVs such as NASA SEWP and GSA FSS provide excellent SAT level set-aside opportunities, while DON, Department of the Army (DOA), and Library of Congress (LOC) IDVs are less set-aside friendly. *Because of strong emphasis on mandatory and discretionary SBRs at the SAT level, DON OSBP and buying commands should establish small business set-aside metrics for SAT level awards in addition to the small business spending goals.*

#### 4. Impact of Sole Sourcing on Small Business Utilization and Goal Achievability in NPS Funded SAT Awards

The FY 2012 SAT FPDS Report provides the data needed to compare sole source and competitive environments.

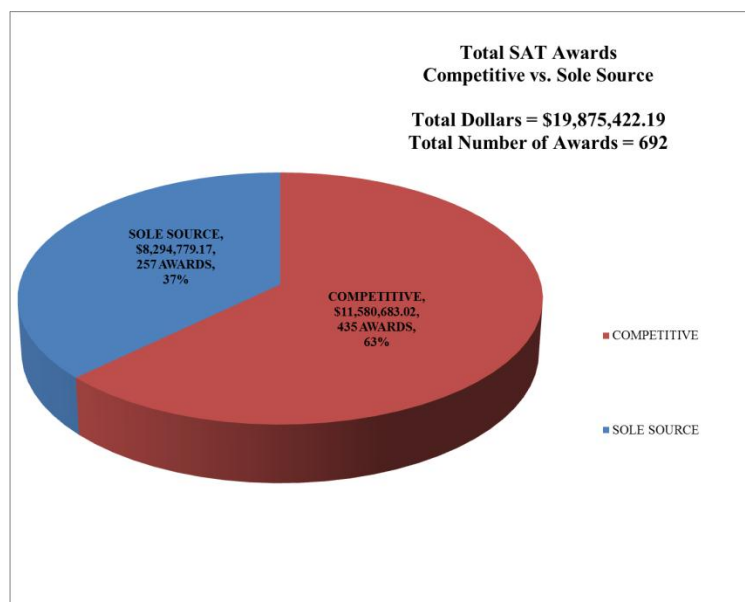


Figure 5. Competitive vs. Sole Source SAT Level Awards

Figure 5 shows that 63 percent of all SAT awards are competitive and 37 percent are sole source.

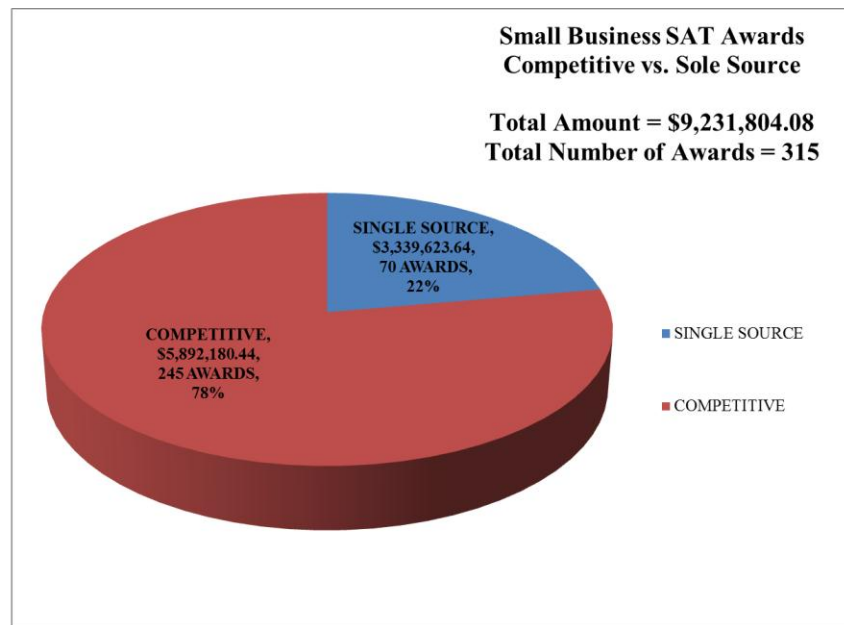


Figure 6. Small Business Competitive vs. Sole Source SAT Level Awards

**Analysis.** Figure 6 shows the breakdown of competitive and single source awards to small business. Competitive procurements result in the majority of the awards to small business, 78 percent, totaling \$5,892,180.44. Slightly under a quarter (22 percent) of the small business awards are sole source, totaling \$3,339,623.64.

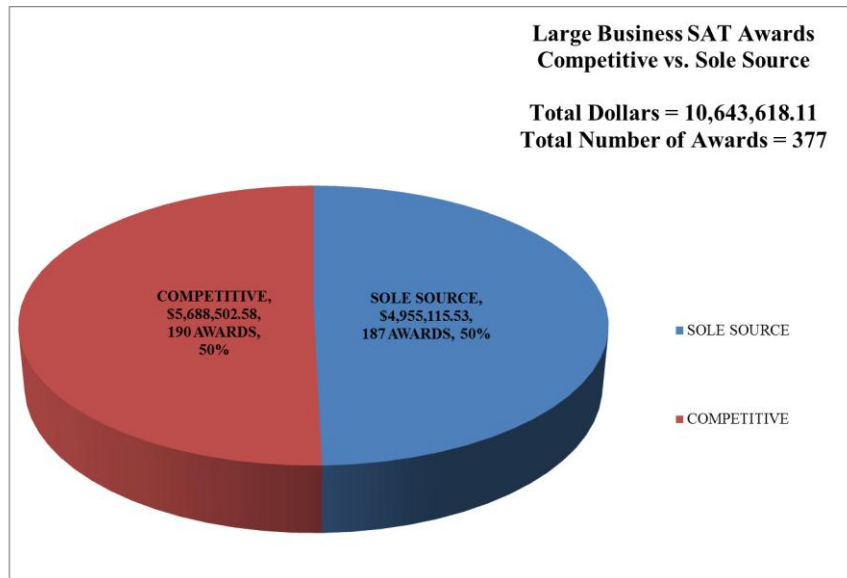


Figure 7. Large Business Competitive vs. Sole Source SAT Level Awards

**Analysis.** Figure 7 shows the results for large business competitive and sole source awards. Awards to large businesses are close to a 50/50 split between competitive and sole source. The dollar amount difference is \$733,387.05 in favor of competitive procurements.

**Finding.** *Sole source SAT level awards predominantly benefit large business, while small businesses overwhelmingly benefit from competition. This finding is consistent with the SBA Office of Advocacy successful goaling criteria.* Figures 6 and 7 show that small businesses receive more awards in the competitive environment than large businesses. *In addition, slightly under a quarter of the smal business requirements can be exclusively fullfilled by a sole source small business. In regards to large business, half of the large business requirements are exclusively sole-sourced. Large businesses received 24.93 percent of total SAT level award value through sole source awards. This creates a ceiling for small business SAT level spending at the particular command.*

*Currently, the DON SAT level small business award goal is not feasible considering significant sole sourcing to large firms. As pointed out above, press reporting suggested that SAT level small busines participation is limited by sole*



*sourcing to large firms. This “noncompetitive feasibility gap” is substantial. This data shows that reaching the DON SAT small business spending goal of 86.16 percent may be constrained by large business sole source requirements.* Small business suppliers capable of meeting these requirements would have to emerge in order to attain the goal. Even if all of the \$5,688,502.58 awarded competitively to large business was fulfilled by small businesses, the result still falls *short of the targeted increase in small business spending of 39.71 percent or \$7,892,859.67 towards the DON SAT level goal. The noncompetitive feasibility gap would equal \$2,204,357.09, or approximately 11.09 percent of total spending. This reduces the DON-wide SAT small business goal to an absolute best case scenario of 75.01 percent (100 percent less the 24.93 percent SAT level large business sole sources).*

A buying command looking to increase small business participation in its SAT awards would presumably exclude large business sole source requirements from its potential small business requirements pool and concentrate on requirements awarded competitively to large firms.

#### **5. Realistic Competition: Comparison of NPS Funded Small Business and Large Business SAT Awards by Multiplicity of Offers**

The FY 2012 SAT FPDS Report gives information regarding the number of offers received for each award. Small and large business awards are compared by the number of offers received and the frequency of multiple offers.

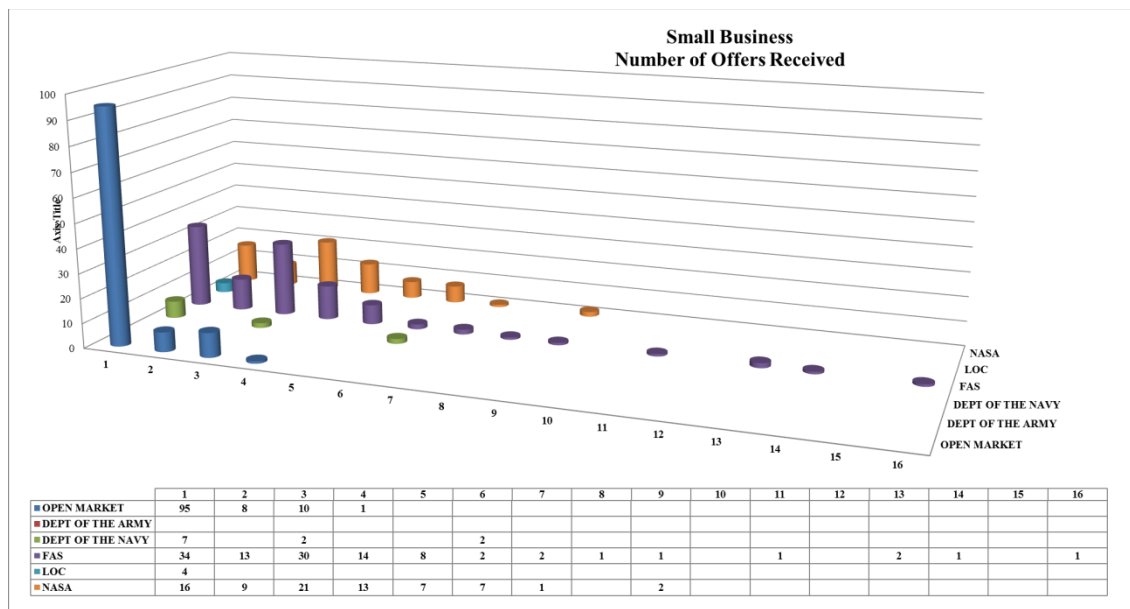


Figure 8. Small Business Number of Offers Received in SAT Level Awards

**Analysis.** Figure 8 show that small businesses receive a majority of their awards by winning multiple-offer competitions. *Over half (51 percent) of small business awards involved multiple quotes in the competitive environment.* Of the 51 percent, 10 percent of awards had two offers, 20 percent had three offers, and 21 percent had three or more offers. In contrast, single offer awards accounted for 49 percent of awards received by small business. *The IDVs that are most competitive are FAS and NASA, while LOC and DON are the least competitive. In regards to the Open Market, the dominant result is only one offer received.*

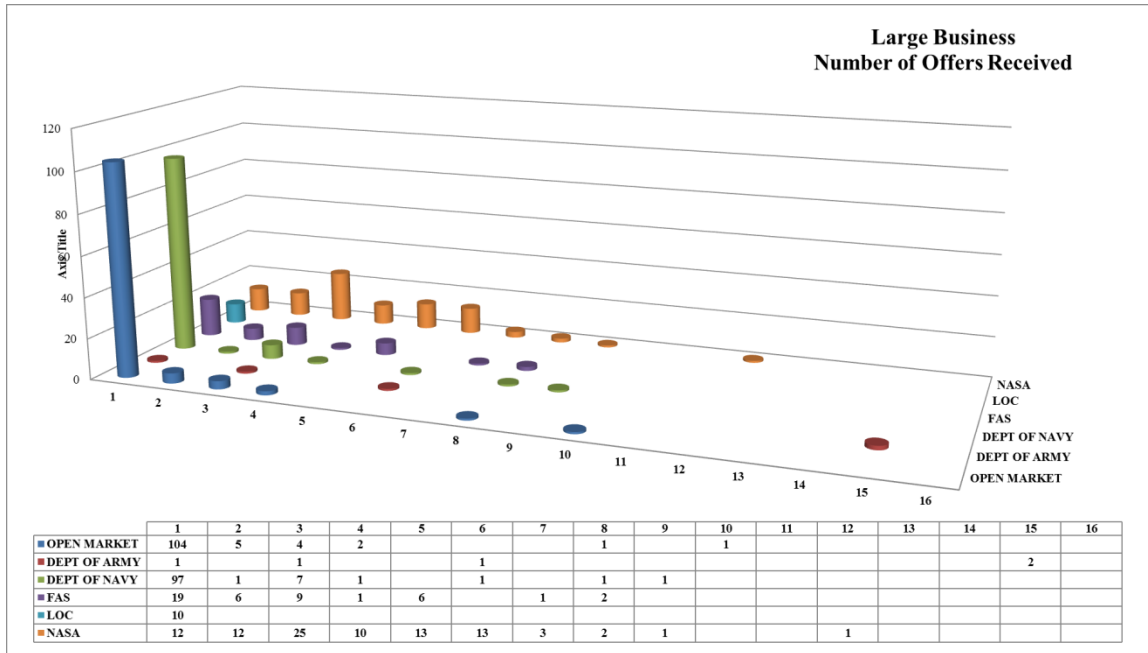


Figure 9. Large Business Number of Offers Received in SAT Level Awards

**Analysis.** Figure 9 show that *large businesses received significantly fewer multiple-offer awards than small businesses. Large businesses received 65 percent of their SAT level awards in single offer procurements.* Of the other 35 percent of awards to large business, six percent of the awards have two offers, 12 percent have three offers, and 17 percent have more than three offers. *The Open Market environment receives the highest number of single offers.*

**Finding.** *Greater small business participation is ensured through contracting vehicles, procedures, and solicitation terms that result in more than one offer. However, multiple-offer procurements occur mostly in the Open Market for both large and small firms.*

*Because IDVs are generally not favorable to small business, greater small business participation could be achieved by focus on Open Market and pro-competitive IDVs such as FAS and NASA. On the other hand, use of Navy and Army IDVs should be discouraged until either their terms are changed or terms of orders are modified to encourage greater competition.*

## 6. Realistic Competition: Small Business Favorability of NPS Funded Single Offer SAT Awards

The FY12 FPDS Report breaks down single offer awards into intended sole source awards and ostensibly competitive requirements that lacked real competition. Further filtering of this data identifies the extent to which single offer awards occurred on specific IDVs and in the Open Market, and whether this type of awards favors or disfavors small business.

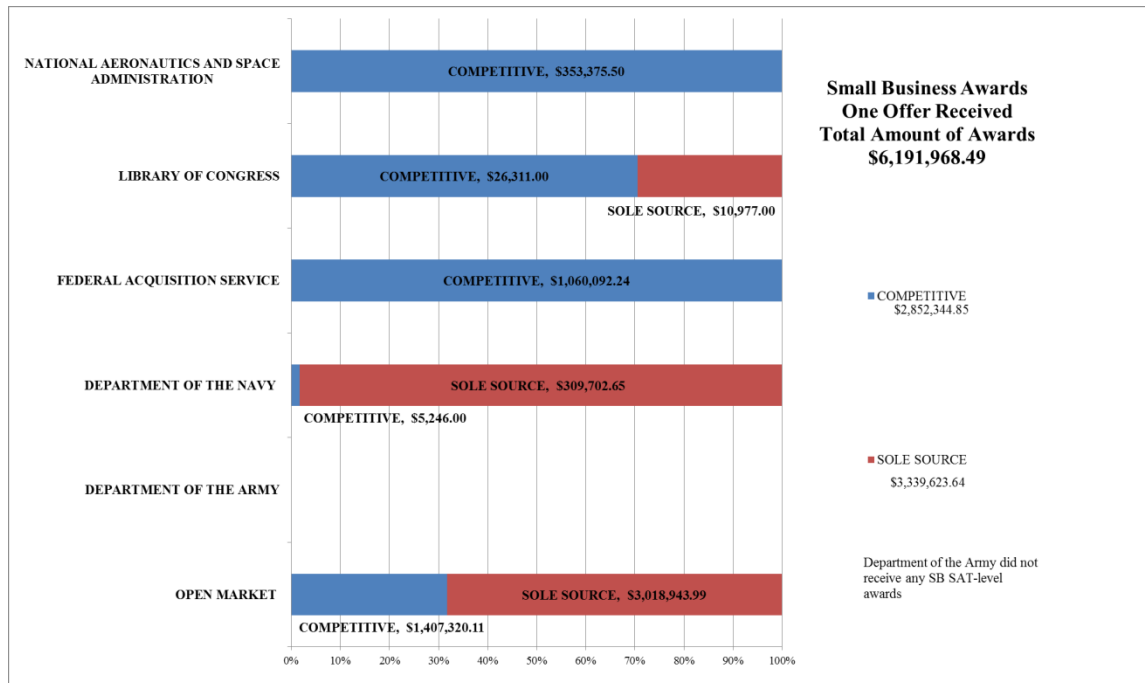


Figure 10. Small Business One Offer Received SAT Level Awards

**Analysis.** The report showed that the category of “only one offer received” applies to a large majority of awards to both small and large business. Figure 11 shows only one offer awards. The IDVs of NASA, FAS, and the DOA are the most competitive.

**Finding.** *In the competitive environment, small businesses obtained more single offer awards than large businesses. The DON is the least competitive of the IDVs, and for both small and large business gave most of its awards to a single source.*

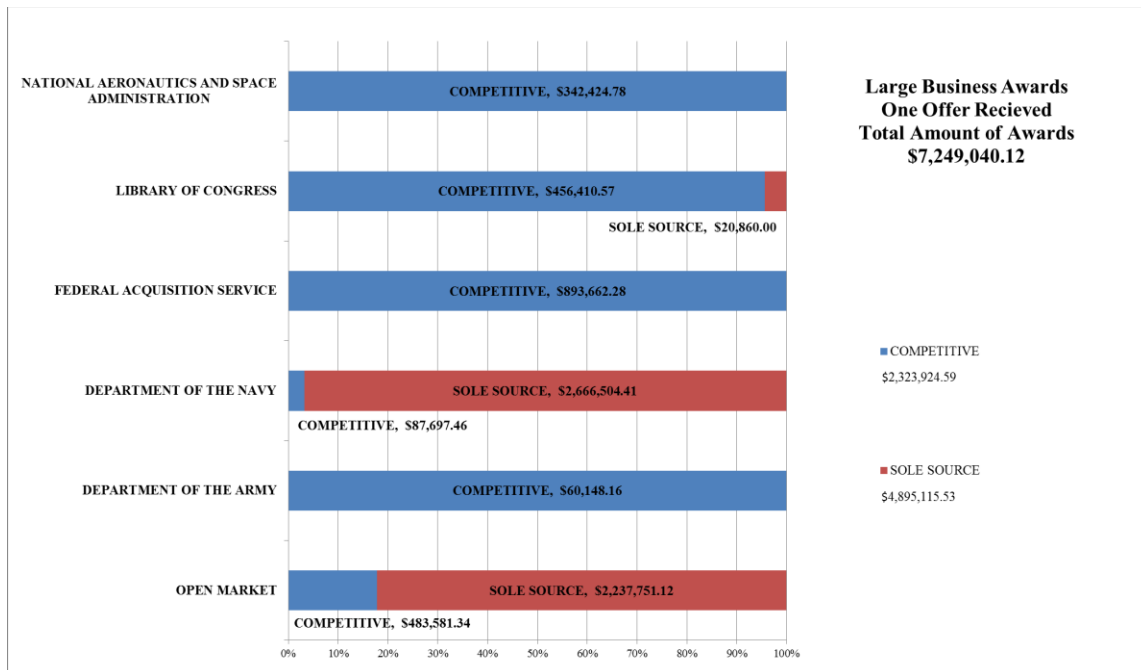


Figure 11. Large Business Single Offer Received SAT Level Awards

**Analysis.** Figure 11 shows the Open Market awards in comparison to the IDV awards in the instances where only one offer was received by large businesses resulting in 243 awards. Of these 243 awards to large business, \$2,323,924.59 are in the competitive environment and \$4,925,115.53 are awarded to a sole source. In the Open Market, the number of sole source awards dominates.

**Finding.** *The DON has the fewest competitive awards and the greatest number of sole source awards. The Library of Congress is mostly competitive, and a small amount of the awards are single source. For the large business awards, DOA, NASA, and FAS are 100 percent competitive.*

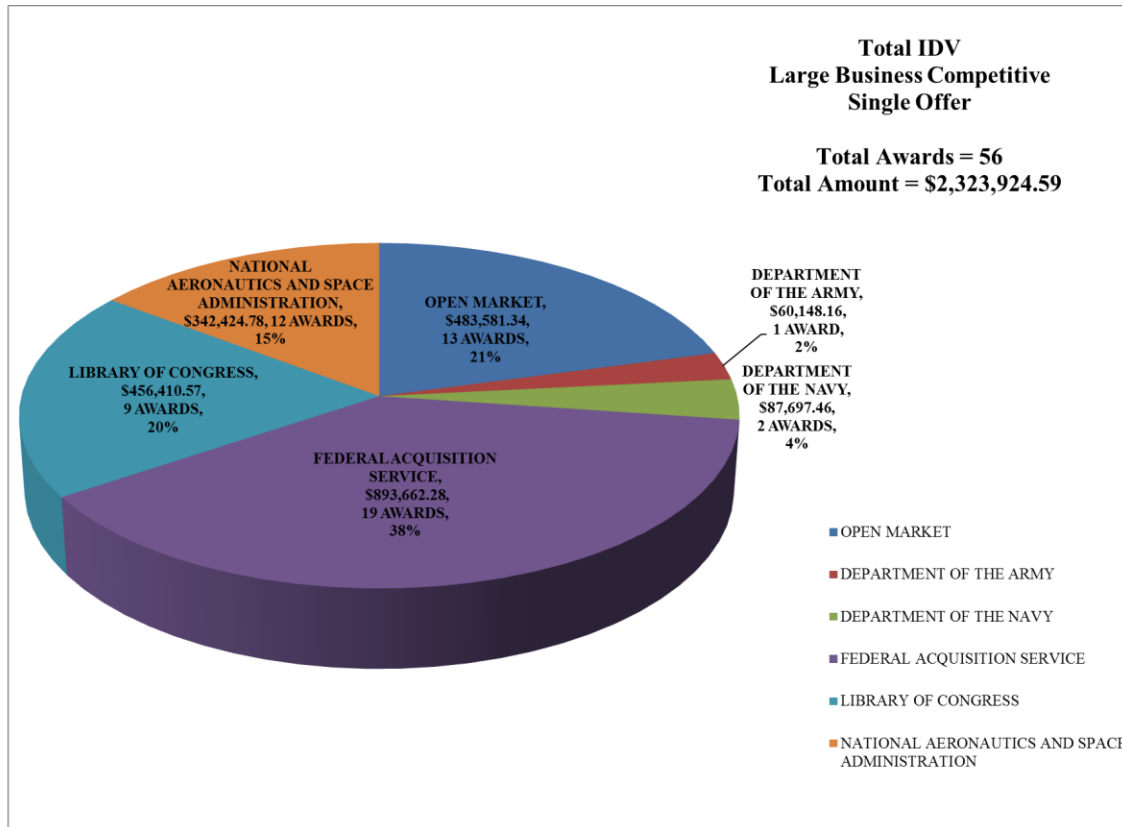


Figure 12. Large Business Competitive Single Offer SAT Level Awards

**Analysis.** Although small businesses have not offered for these contacts, and awards to large businesses here lack the legal Justification & Approval for directed awards to large businesses under FAR Part 6 sole source provisions. These 56 awards account for \$2,323,924.59, or 11.69 percent of total SAT level spending. Of these awards, single offer competitive awards of IDV orders account for \$1,840,343.25 or 9.26 percent of total SAT level spending. Open market competitive single offers to large firms account for \$483,581.34 or just 2.43 percent of total SAT level spending.

**Finding.** *Overall, SAT level procurements which result in single offers are more favorable to large business across all indicators depicted in Figure 12, i.e., both dollar value and number of awards. There is a major potential source of untapped small business opportunities, namely, single offer competitive awards made to large business. The direction of this spending to large firms appears to be of primary importance for the 1105 Purchasing Agent series. Most of this spending can be tapped*

*by changing the terms of IDV orders, targeted PTAC outreach, and/or by redirecting IDV single offer work to the Open Market. The minority single offer large business Open Market competitive awards should be targeted for small business awards with changed solicitation terms, including advertising.*

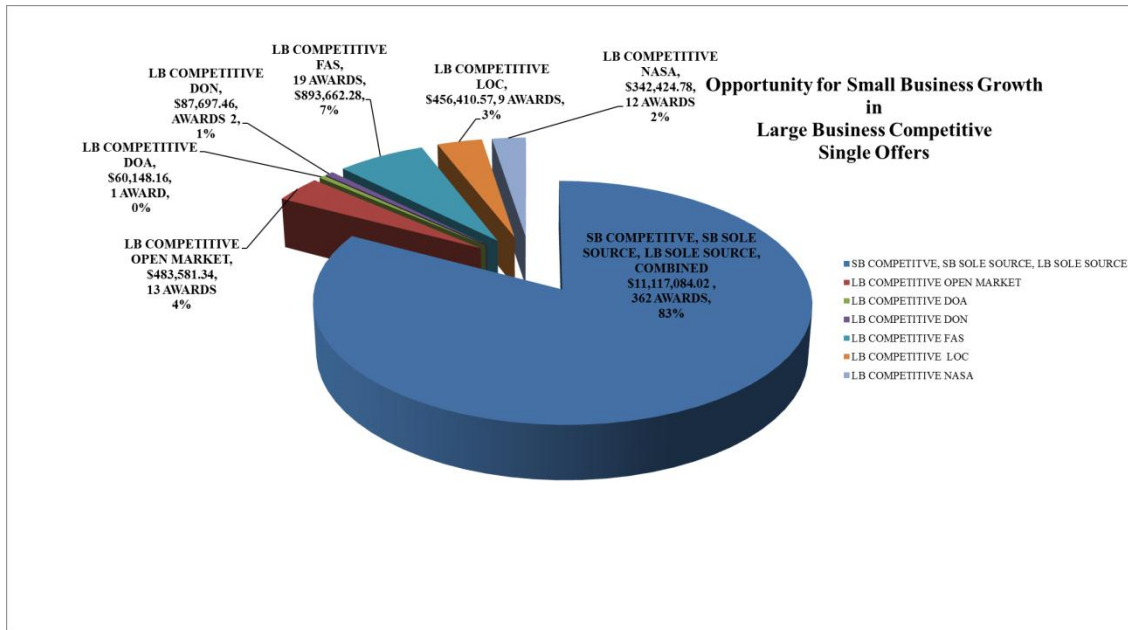


Figure 13. Opportunity for Small Business Growth and “Cannibalization” of Large Business Competitive Single Offer SAT Level Awards

**Analysis.** *Figure 13 clearly shows that competitive IDVs large business orders are a significant detriment to small business. Competitive large business IDV orders account for \$1,840,343.25 or about 13 percent of total SAT level spending. Large business competitive open market awards account for \$483,581.34 or about 4 percent of total spending.*

**Finding.** *A buying command could attract small business suppliers (by up to 17 percent of total SAT level spending) through making existing competitive procurements more small business-friendly. Competitive multiple-offer large business awards are an even larger target opportunity than single offer competitive large business awards. The direction of this spending to large firms appears to be of primary importance for the 1105 Purchasing Agent series. Specifically, a buying command should revise its large*

*business competitive requirements by changing NAICS and PSC codes, solicitation response times, and contracting vehicles, and/or by cascading solicitation procedures.*

## **7. Conclusion**

*Using the best practice criteria for improving SAT level small business participation developed in the SBA Office of Advocacy literature and the Better Buying Power guidance creates a realistic small business participation ceiling of about 75 percent of total SAT level spending. This means that small business participation would have to increase by approximately 28 percent of total SAT level value. Subjecting the requirements awarded through large business single source competitive awards to realistic competition through cascading and set-aside procurements could increase small business spending by about 11.7 percent of total SAT level spending. The remaining 16.3 percent would need to come from other measures, such as changing the mix of contracting mechanisms.* It is unclear, however, exactly how the SBA and BBP best practices would help buying commands surmount the significant barrier to entry and reach the 75 percent realistic ceiling or the 86.16 percent goal.

The concrete barriers to small business revealed by the data analysis are listed below. These barriers are also referenced as theory in the literature review, and are identified in the NRSW survey (2012).

- NAICS subsectors and PSC Codes show overlap in small and large business capabilities.
- IDVs are more supportive of large business and may pose impediments to small business.
- Single offer awards from large business in competitive awards are detrimental to small business growth.
- The 86.16 percent SAT level small business goal is unattainable because almost 25 percent of the sole sourced awards go to large businesses.

The baseline assessment in this study provides a starting point for the NPS SAT level specific environment.

To increase small business participation, the Department of the Navy and its buying commands should conduct annual analysis of the commands' own SAT level awards spending. *This analysis would be the first alternative to the MAXPRAC model.*



Buying commands should rely on *the following 3 criteria reported in the Better Business Power initiative, the news media and academic literature:*

- (1) frequency/number of awards by business size;*
- (2) effectiveness of competition, including justified and approved sole source awards as well as single offer large business awards;*
- (3) utilization of Open Market and IDV contracting mechanisms.*

Specifically, small business SAT level participation *success is derived from increasing the frequency of small business awards, reducing large business sole source and single offer awards, and changing the buying habits of the 1105 Purchasing Agent workforce from IDVs preferred by large firms to IDVs preferred by small firms.* Moreover, *by taking into account large business noncompetitive spending, buying commands should be able to benchmark the feasibility of meeting the DON-wide 86.16 percent SAT level small business spending goal.* After benchmarking feasibility, buying commands would be able to increase small business participation by directing work to pro-small business IDVs, reducing pro. *The DON OSBP should request the GSA to have the FPDS-NG standard Simplified Acquisitions Report adjusted to help buying commands obtain such information on a regular basis.*

### **C. THE NAVUSA (NAICS ACCESS VISUALIZATION – UNDERSTANDING SUBSECTOR AVAILABILITY) MODEL**

#### **1. Introduction to Using NAINCS Subsectors and PSC Portfolios to Evaluate Small Business Goals Achievability and Targeted Accretion of Awards**

As the second alternative to the MAXPRAC model, legal literature review suggests that DON buying command should increase their SAT level small business participation by analyzing their own spending across NAICS and PSC classifications. This is done through the *NAICS Access Visualization-Understanding Subsector Availability (NAV-USA) model* set forth below.

As noted above, legal and regulatory literature proves that *small firms face significant barriers from complicated and contradictory regulations and guidance on the proper use of exact industrial and requirements classifications* by government

buyers and small businesses alike. *The problem of NAICS and PSC imprecision can be solved by aggregation of related vendors and requirements by related NAICS subsector and PSC/FSC portfolios. This aggregation should enable a buying command to ascertain the true capability of current small business suppliers to fulfill the buying command's SAT level requirements. Then, small business set-asides can be established using this analysis for market research in conjunction with the mandatory and the discretionary SBR authorities, as well as the cascading procurement authority. This is the essence of the NAVUSA model.*

*Based on this aggregation, a command's SAT level spending can be analyzed across four spending categories:*

*(1) small business-only NAICS subsectors or PSC portfolios, which are top candidates for small business set-asides;*

*(2) large business-only NAICS subsectors or PSC portfolios, which are the most difficult for small business set-asides;*

*(3) majority-large business NAICS subsectors and PSC portfolios, which may be used for cascading procurements; and*

*(4) majority-small business NAICS subsectors and PSC portfolios, which are candidates for total set-asides.*

To test whether its small business vendors face legal and regulatory barriers from NAICS and PSC regulations and guidance, a buying command must compare small business participation by NAICS and PSC classifications. This test will also establish the goal achievability range.

| PSC CATEGORIES             | ACTUAL SPENDING | LB ACTUAL SHARE | SB ACTUAL SHARE | TOTAL SHARES | SB CAPABLE SHARE |
|----------------------------|-----------------|-----------------|-----------------|--------------|------------------|
| SMALL BUSINESS ONLY        | \$491,748.88    |                 | 2.47%           | 2.47%        | 2.47%            |
| LARGE BUSINESS ONLY        | \$387,998.82    | 1.95%           |                 | 1.95%        |                  |
| LB-MAJORITY TOTAL          | \$10,193,904.15 |                 |                 | 51.29%       |                  |
| LB-MAJORITY LARGE BUSINESS | \$7,159,320.27  | 36.02%          |                 |              | 15.27%           |
| LB-MAJORITY SMALL BUSINESS | \$3,034,583.88  |                 | 15.27%          |              | 15.27%           |
| SB-MAJORITY TOTAL          | \$8,801,772.64  |                 |                 | 44.28%       |                  |
| SB-MAJORITY LARGE BUSINESS | \$3,098,299.02  | 15.58%          |                 |              | 15.58%           |
| SB-MAJORITY SMALL BUSINESS | \$5,705,473.62  |                 | 28.71%          |              | 28.71%           |
| TOTAL                      | \$19,875,422.19 | 53.55%          | 46.45%          | 100.00%      | 77.29%           |
| NAICS CATEGORIES           | ACTUAL SPENDING | LB ACTUAL SHARE | SB ACTUAL SHARE | TOTAL SHARES | SB CAPABLE SHARE |
| SMALL BUSINESS ONLY        | \$313,756.13    |                 | 1.58%           | 1.58%        | 1.58%            |
| LARGE BUSINESS ONLY        | \$79,898.00     | 0.40%           |                 | 0.40%        |                  |
| LB-MAJORITY TOTAL          | \$6,844,782.08  |                 |                 | 34.44%       |                  |
| LB-MAJORITY LARGE BUSINESS | \$5,639,103.81  | 28.37%          |                 |              | 6.07%            |
| LB-MAJORITY SMALL BUSINESS | \$1,205,678.27  |                 | 6.07%           |              | 6.07%            |
| SB-MAJORITY TOTAL          | \$12,637,007.98 |                 |                 | 63.58%       |                  |
| SB-MAJORITY LARGE BUSINESS | \$4,924,818.30  | 24.78%          |                 |              | 24.78%           |
| SB-MAJORITY SMALL BUSINESS | \$7,712,389.68  |                 | 38.80%          |              | 38.80%           |
| TOTAL                      | \$19,875,422.19 | 53.55%          | 46.45%          | 100.00%      | 77.29%           |

Table 3. Goal Achievability Range

**Analysis:** Data above shows that *of the \$19,875,422.19 total SAT level spending, small business may be capable of fulfilling up to 77.29 percent of the requirements value*. This figure is achieved by reviewing prior spending for indicators of small business capabilities to perform work previously performed by large firms. *Small business-capable share is derived by adding the share of exclusive small business awards, the total share of spending across categories where small businesses dominate, and double the small business share in categories share data also shows that small businesses generally succeed in obtaining SAT level awards by relying on NAICS codes, while large businesses are more successful in finding and capturing SAT level awards by PSC codes.*

The products and services sought by NPS for its requirements come from a wide variety of NAICS subsectors. For instance, small business vendors have exclusivity in 13 NAICS subsectors ranging from Metal Working Machinery to Musical Instruments/Phonographs/Home Radios. The procurement value of these small business exclusive NAICS subsectors is 1.58 percent of the total amount of SAT dollars. The exclusive small business share is higher across PSCs, reaching 2.47 percent.

In regards to the large business exclusive NAICS categories, awards to large firms totaled 0.40 percent. Large business vendors are under 12 different NAICS subsectors ranging from General Science/Technology R&D to Ships and Marine Equipment. For

large business-exclusive PSCs, awards totaled 1.95 percent. In many of the NAICS Subsectors and PSC Portfolios there is overlap between large and small businesses. Small business did have a higher percentage, 63.58 percent of the total awarded SAT dollars in the NAICS subsectors where small business vendors dominated over large business. In the subsectors that large businesses dominated over small business the percentage of total dollars is lower at 34.44 percent. With regards to PSC portfolios, large businesses dominated 51.29 percent of total spending, while small firms dominated only 44.28 percent of total spending. Small business spending amounted to 15.27 percent of PSCs dominated by large firms and 28.41 percent of PSCs dominated by small firms.

***Finding: As suggested above in legal literature review, large businesses indeed favor PSCs for searching and obtaining government contracts. To increase small business participation, a buying command must, at the very least, ensure consistency of matching NAICS categories and PSC/FSC codes through new guidance. The Department of the Navy should consider providing Department-wide guidance to ensure NAICS-PSC matching consistency. Further, a buying command should consider sharing its NAICS-PSC matching guidance with the local PTAC.***

## **2. Aggregation of Existing Small Business Vendor Base: Spending Review by NAICS**

As the alternative to the MAXPRAC model, *data below charts the path for increased achievability of SAT level small business goals at the buying command or agency level by using existing SAT level small business vendors.* Under the DOD OSBP MAXPRAC Tool, a buying agency would normally have to find small business suppliers by checking NAICS-specific award data at other agencies. *In contrast, data in the table below aggregates existing small business vendor base across NAICS subsectors for the buying command itself.* This aggregation is based on the findings from Chapter IV(C) legal and literature review that NAICS codes may be incorrectly chosen for related work, and that many small businesses may have trouble precisely determining the NAICS codes which they should use for registration and market research due to regulatory and policy barriers.

| NAICS SUBSECTORS WITH TOTAL SMALL BUSINESS AWARDS (TOTAL SB RESERVATION CAPABLE):        |                        |               |
|--|------------------------|---------------|
| 236 CONSTRUCTION AND BUILDINGS   | \$286,206.00           | 1.44%         |
| 326 PLASTICS AND RUBBER PRODUCTS MANUFACTURING   | \$14,570.13            | 0.07%         |
| 327 NONMETALLIC MINERAL PRODUCT MANUFACTURING  | \$2,790.00             | 0.01%         |
| 484 TRUCK TRANSPORTATION   | \$4,690.00             | 0.02%         |
| 562 WASTE MANAGEMENT AND REMEDIATION SERVICES  | \$5,500.00             | 0.03%         |
| <b>TOTAL:</b>  | <b>\$313,756.13</b>    | <b>1.58%</b>  |
| NAICS SUBSECTORS WITH TOTAL LARGE BUSINESS AWARDS (SB RESERVATION UNLIKELY):             |                        |               |
| 331 PRIMARY METAL MANUFACTURING  | \$1,082.00             | 0.01%         |
| 533 LESSORS OF NONFINANCIAL INTANGIBLE ASSETS (EXCEPT COPYRIGHTED WORKS)                 | \$7,440.00             | 0.04%         |
| 813 RELIGIOUS, GRANTMAKING, CIVIC, PROFESSIONAL, AND SIMILAR ORGANIZATIONS               | \$71,374.00            | 0.36%         |
| <b>TOTAL:</b>  | <b>\$79,896.00</b>     | <b>0.40%</b>  |
| NAICS SUBSECTORS WITH MAJORITY-LARGE BUSINESS AWARDS (SB RESERVATION PARTIALLY CAPABLE): |                        |               |
| 323 PRINTING AND RELATED SUPPORT ACTIVITIES  | \$34,344.28            | 0.17%         |
| 335 ELECTRICAL EQUIPMENT, APPLIANCE, AND COMPUTER MANUFACTURING                          | \$272,214.73           | 1.37%         |
| 337 FURNITURE AND RELATED PRODUCT MANUFACTURING  | \$24,646.63            | 0.12%         |
| 339 MISCELLANEOUS MANUFACTURING  | \$134,251.15           | 0.68%         |
| 442 FURNITURE AND HOME FURNISHING STORES   | \$206,515.02           | 1.04%         |
| 443 ELECTRONICS AND APPLIANCE STORES   | \$643,004.10           | 3.24%         |
| 444 BUILDING MATERIALS AND GARDEN EQUIPMENT AND SUPPLIES DEALERS                         | \$43,239.08            | 0.22%         |
| 511 PUBLISHING INDUSTRIES (EXCEPT INTERNET)  | \$912,513.98           | 4.59%         |
| 512 MOTION PICTURES AND SOUND RECORDING INDUSTRIES                                       | \$66,750.00            | 0.34%         |
| 517 TELECOMMUNICATIONS   | \$237,079.47           | 1.19%         |
| 519 OTHER INFORMATION SERVICES   | \$578,835.41           | 2.91%         |
| 611 EDUCATIONAL SERVICES   | \$3,404,138.94         | 17.13%        |
| 811 REPAIR AND MAINTENANCE   | \$287,229.29           | 1.45%         |
| <b>TOTAL:</b>  | <b>\$6,844,762.08</b>  | <b>34.44%</b> |
| NAICS SUBSECTORS WITH MAJORITY-SMALL BUSINESS AWARDS (TOTAL SB RESERVATION CAPABLE):     |                        |               |
| 332 FABRICATED METAL PRODUCT MANUFACTURING   | \$98,214.84            | 0.49%         |
| 333 MACHINERY MANUFACTURING  | \$355,527.33           | 1.79%         |
| 334 COMPUTER AND ELECTRONIC PRODUCT MANUFACTURING  | \$5,194,895.19         | 26.14%        |
| 336 TRANSPORTATION EQUIPMENT MANUFACTURING   | \$128,615.73           | 0.65%         |
| 423 MERCHANT WHOLESALERS, DURABLE GOODS  | \$132,482.14           | 0.67%         |
| 532 RENTAL AND LEASING SERVICES  | \$68,353.32            | 0.34%         |
| 541 PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES                                     | \$6,287,488.85         | 31.63%        |
| 561 ADMINISTRATIVE AND SUPPORT SERVICES  | \$371,430.58           | 1.87%         |
| <b>TOTAL:</b>  | <b>\$12,637,007.98</b> | <b>63.58%</b> |

Table 4. Aggregation of Small Business Vendor Base by NAICS

**Analysis:** Data shows that contracts within 5 NAICS subsectors were made exclusively with small businesses for a total of \$313,756.13 or 1.58 percent of SAT level spending. Contracts within 3 NAICS subsectors were made exclusively with large businesses for a total of \$79,896.00 or 0.40 percent of total SAT level spending. Almost two-thirds of SAT level spending was awarded in 8 NAICS subsectors where small firms received the majority of award value in each NAICS subsector. For 13 NAICS subsectors, large businesses received the majority of contract value within each subsectors for a total of 34.44 percent of SAT level spending.

**Finding:** *Existing small business vendor base could fulfill well-over two-thirds of current SAT level spending (65.16 percent) through mandatory or discretionary SBRs within 13 NAICS subsectors. Approximately a third of total SAT level spending (34.44 percent accounting for 13 NAICS subsectors) could be subject to partial SB reserves and/or cascading procedures.*

**3. Aggregation of Small Business Vendor Base Capabilities: Spending Review by PSC Portfolios**

Data below presents an alternative to the NAICS-based assessment of existing vendor base capability. *A buying command should make such PSC/FSC-based assessment in order to test not only the capabilities of its existing supplier base to meet agency requirements, but also the extent of barriers to entry faced by existing small business suppliers due to inconsistent use of PSC/FSC codes.*

|   |                        |               |
|---|------------------------|---------------|
| <b>PSC PORTFOLIOS WITH TOTAL LARGE BUSINESS AWARDS (SB RESERVATION UNLIKELY):</b>             |                        |               |
| 16 AIRCRAFT COMPONENTS/ACCESSORIES  | \$5,976.30             | 0.03%         |
| 20 SHIPS AND MARINE EQUIPMENT   | \$33,027.72            | 0.17%         |
| 39 MATERIALS HANDLING EQUIPMENT   | \$12,142.00            | 0.06%         |
| 69 TRAINING AIDES AND DEVICES   | \$70,060.60            | 0.35%         |
| 95 METAL BARS, SHEETS, SHAPES   | \$1,082.00             | 0.01%         |
| AJ GENERAL SCIENCE/TECHNOLOGY R&D   | \$104,124.00           | 0.52%         |
| AP NATURAL RESOURCES R&D  | \$6,500.00             | 0.03%         |
| B5 SPECIAL STUDIES - NOT R&D  | \$36,144.00            | 0.18%         |
| H9 OTHER QUALITY TESTING AND INSPECTION SERVICES  | \$30,000.00            | 0.15%         |
| R7 MANAGEMENT SUPPORT SERVICES  | \$77,462.20            | 0.39%         |
| W0 LEASE OR RENTAL OF EQUIPMENT   | \$5,031.00             | 0.03%         |
| X1 LEASE/RENTAL OF BUILDINGS  | \$6,449.00             | 0.03%         |
| <b>TOTAL</b>  | <b>\$387,998.82</b>    | <b>1.95%</b>  |
| <b>PSC PORTFOLIOS WITH TOTAL SMALL BUSINESS AWARDS (TOTAL SB RESERVATION CAPABLE):</b>        |                        |               |
| 34 METALWORKING MACHINERY   | \$21,335.83            | 0.11%         |
| 36 SPECIAL INDUSTRY MACHINERY   | \$18,895.00            | 0.10%         |
| 45 PLUMBING, HEATING, WASTE DISPOSAL  | \$5,500.00             | 0.03%         |
| 49 MAINTENANCE/REPAIR SHOP EQUIPMENT  | \$3,950.00             | 0.02%         |
| 53 HARDWARE AND ABRASIVES   | \$4,500.00             | 0.02%         |
| 54 PREFABRICATED STRUCTURES/SCAFFOLDING   | \$24,036.37            | 0.12%         |
| 63 ALARM, SIGNAL, SECURITY DETECTION  | \$4,235.00             | 0.02%         |
| 75 OFFICE SUPPLIES AND DEVICES  | \$4,776.00             | 0.02%         |
| 77 MUSICAL INSTRUMENTS/PHONOGRAPHS/HOME RADIO   | \$56,778.53            | 0.29%         |
| 84 CLOTHING/INDIVIDUAL EQUIPMENT, INSIGNIA  | \$35,303.85            | 0.18%         |
| K0 MODIFICATION OF EQUIPMENT  | \$18,750.00            | 0.09%         |
| N0 INSTALLATION OF EQUIPMENT  | \$7,480.00             | 0.04%         |
| Z1 MAINTENANCE, ALTERATION, REPAIR OF BUILDINGS   | \$286,206.00           | 1.44%         |
| <b>TOTAL</b>  | <b>\$491,746.58</b>    | <b>2.47%</b>  |
| <b>PSC PORTFOLIOS WITH MAJORITY-LARGE BUSINESS AWARDS (SB RESERVATION PARTIALLY CAPABLE):</b> |                        |               |
| 59 ELECTRICAL/ELECTRONIC EQUIPMENT COMPONENTS   | \$61,356.26            | 0.31%         |
| 70 ADP EQUIPMENT/SOFTWARE/SUPPLIES AND EQUIPMENT  | \$5,498,716.67         | 27.67%        |
| 71 FURNITURE  | \$262,182.10           | 1.32%         |
| 76 BOOKS, MAPS, OTHER PUBLICATIONS  | \$884,674.44           | 4.45%         |
| AF EDUCATION R&D  | \$89,115.00            | 0.45%         |
| H1 QUALITY CONTROL SERVICES   | \$8,291.16             | 0.04%         |
| T0 PHOTOGRAPHY, MAPPING, PRINTING, PUBLISHING   | \$160,850.20           | 0.81%         |
| U0 EDUCATION AND TRAINING SERVICES  | \$3,228,718.32         | 16.24%        |
| <b>TOTAL:</b>   | <b>\$10,193,904.15</b> | <b>51.29%</b> |
| <b>PSC PORTFOLIOS WITH MAJORITY-SMALL BUSINESS AWARDS (SB RESERVATION FULLY CAPABLE):</b>     |                        |               |
| 18 SPACE VEHICLES   | \$155,158.72           | 0.78%         |
| 19 SHIPS, SMALL CRAFT, PONTOON, DOCKS   | \$141,366.00           | 0.71%         |
| 43 PUMPS AND COMPRESSORS  | \$28,412.80            | 0.14%         |
| 52 MEASURING TOOLS  | \$68,680.21            | 0.35%         |
| 58 COMMUNICATION/DETECTION/COHERENT RADIATION   | \$311,941.10           | 1.57%         |
| 61 ELECTRIC WIRE, POWER DISTRIBUTION EQUIPMENT  | \$84,105.27            | 0.42%         |
| 65 MEDICAL, DENTAL, VETERINARY EQUIPMENT AND SUPPLIES   | \$20,942.85            | 0.11%         |
| 66 INSTRUMENTS AND LABORATORY EQUIPMENT   | \$1,678,060.82         | 8.44%         |
| 67 PHOTOGRAPHIC EQUIPMENT   | \$133,625.16           | 0.67%         |
| 74 OFFICE MACHINES/TEXT PROCESSING/VISIBLE RECORDING  | \$114,041.17           | 0.57%         |
| AD DEFENSE (OTHER) R&D  | \$60,806.87            | 0.31%         |
| D3 ADP AND TELECOMMUNICATIONS   | \$2,330,031.51         | 11.72%        |
| J0 MAINTENANCE, REPAIR, REBUILD OF EQUIPMENT  | \$256,373.41           | 1.29%         |
| L0 TECHNICAL REPRESENTATIVE SERVICES  | \$156,322.00           | 0.79%         |
| R4 PROFESSIONAL SERVICES  | \$2,972,288.16         | 14.95%        |
| R6 ADMINISTRATIVE SUPPORT SERVICES  | \$289,616.59           | 1.46%         |
| <b>TOTAL</b>  | <b>\$8,801,772.64</b>  | <b>44.28%</b> |

Table 5. Aggregation of Small Business Vendor by PSCs/FSCs

**Analysis:** Data shows that contracts within 12 PSC portfolios were made exclusively with large businesses for a total of \$387,998.82 or 1.95 percent of SAT level spending. Contracts within 13 PSC portfolios were made exclusively with small businesses for a total of \$491,746.00 or 2.47 percent of total SAT level spending. Just 44.28 percent of SAT level spending was awarded in 16 PSC portfolios where small firms received the majority of award value in each PSC portfolio. For 8 PSC portfolios, large businesses received the majority of contract value within each portfolio for a total of 51.29 percent of SAT level spending.

**Findings:** *Small businesses dominate less than 50 percent (46.75 percent) of command SAT level requirements as classified by PSC/FSC portfolios. In contrast, small firms dominate 65.16 percent of total SAT level spending as classified by NAICS subsectors. This creates a “classification transparency gap” of almost one-fifth (18.41 percent) of total SAT level spending \$3,659,065.23 in favor of large business domination. Further, large business-only spending classified by PSC/FSC portfolios is almost 5 times greater than large business-only spending classified by NAICS subsectors, with the difference of \$308,102.82.*

*Data clearly confirms legal review findings that PSC/FSC classifications are favored by large businesses for securing SAT level awards. To ensure small businesses overcome this gap, DON and buying commands must issue guidance ensuring greater transparency and publicity of PSCs/FSCs used, as well as consistency of matching NAICS and PSC/FSC classifications.*

#### **4. Impact of NAICS Sector Type Designations as Manufacturing, Supplies, or Services on Awardee Business Size**

Data below tests whether greater SAT level awards spending on small business manufacturing NAICS codes increases a command's small business goaling achievement success. In addition, this data tests the existence of legal barriers to entry that may be faced by small business manufacturers.



| LARGE BUSINESS AWARDS BY NAICS SUBSECTOR TYPES |                        |               |
|--|------------------------|---------------|
| MANUFACTURING NAICS SUBSECTORS                 | \$3,295,096.69         | 16.58%        |
| SUPPLIES (SELLERS AND STORES) NAICS SUBSECTORS | \$616,523.78           | 3.10%         |
| SERVICES NAICS SUBSECTORS                      | \$6,732,853.64         | 33.88%        |
| <b>TOTAL:</b>                                  | <b>\$10,644,474.11</b> | <b>53.56%</b> |
| SMALL BUSINESS AWARDS BY NAICS SUBSECTOR TYPES |                        |               |
| MANUFACTURING NAICS SUBSECTORS                 | \$3,878,569.30         | 19.51%        |
| SUPPLIES (SELLERS AND STORES) NAICS SUBSECTORS | \$409,572.56           | 2.06%         |
| SERVICES NAICS SUBSECTORS                      | \$4,943,662.22         | 24.87%        |
| <b>TOTAL:</b>                                  | <b>\$9,231,804.08</b>  | <b>46.45%</b> |

Table 6. Impact of Manufacturing, Supplies, and Services NAICS Designations

**Analysis:** Data shows that SAT level spending on Manufacturing NAICS codes accounted for 19.51 percent of total SAT level spending with small firms and on 16.58 percent of total SAT level spending with large firms. On the other hand, large businesses lead small businesses in contract awards for Supplies (Sellers and Stores) with 3.1 percent to 2.06 percent, respectfully. Likewise, large businesses dominate over small firms in Services procurements, 33.88 percent to 24.87 percent of total SAT level spending, respectfully.

**Finding:** *Designating procurements with Manufacturing NAICS subsectors encourages greater participation by small businesses rather than large businesses. On the other hand, when a buying command designates procurements using subsectors for Supplies (Sellers and Stores) contrary to SBA regulations in 13 C.F.R. §121.402 (2012), the command discourages small business participation.*

*To increase small business participation, DON and its buying commands should issue guidance directing its 1105 Purchasing Agents and 1102 Contract Specialists to use manufacturing NAICS codes for all supply procurements. At the same time, compliance with these regulations will likely deter existing small business resellers. Therefore, DON and buying commands should seek Non-Manufacturer Rule waivers from the SBA on a class basis and/or on an installation-specific basis.*

## 5. Availability of Manufacturer Supplier Base

Data below further tests the extent to which small firms can fulfill SAT level manufacturing requirements.

| LARGE BUSINESS AWARDS FOR MANUFACTURING NAICS SUBSECTORS |                       |               |
|--|-----------------------|---------------|
| 332 FABRICATED METAL PRODUCT MANUFACTURING               | \$15,298.00           | 0.08%         |
| 333 MACHINERY MANUFACTURING                              | \$27,278.01           | 0.14%         |
| 334 COMPUTER AND ELECTRONIC PRODUCT MANUFAC              | \$2,429,296.01        | 12.22%        |
| 336 TRANSPORTATION EQUIPMENT MANUFACTURING               | \$61,965.30           | 0.31%         |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>       | <b>\$2,533,837.32</b> | <b>12.75%</b> |
| 331 PRIMARY METAL MANUFACTURING                          | \$1,082.00            | 0.01%         |
| <b>SUBTOTAL: ALL LB-ONLY NAICS SUBSECTORS</b>            | <b>\$1,082.00</b>     | <b>0.01%</b>  |
| 335 ELECTRICAL EQUIPMENT, APPLIANCE, AND COMPU           | \$155,697.63          | 0.78%         |
| 337 FURNITURE AND RELATED PRODUCT MANUFACTUR             | \$15,568.06           | 0.08%         |
| 339 MISCELLANEOUS MANUFACTURING                          | \$105,200.00          | 0.53%         |
| 323 PRINTING AND RELATED SUPPORT ACTIVITIES              | \$20,073.02           | 0.10%         |
| 511 PUBLISHING INDUSTRIES (EXCEPT INTERNET)              | \$463,638.66          | 2.33%         |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>       | <b>\$760,177.37</b>   | <b>3.82%</b>  |
| <b>TOTAL:</b>  | <b>\$3,295,096.69</b> | <b>16.58%</b> |

Table 7. Large Business Manufacturing NAICS Subsectors

**Analysis:** The vast majority of manufacturing awards received by large businesses (16.58 percent of total SAT level spending or \$3,295,096.69) actually fell within NAICS subsectors *dominated by small firms* (12.75 percent of total SAT level awards or \$2,533,837.32). Large business-only manufacturing spending accounted only for one NAICS subsector or 0.01 percent of total SAT level spending.

| SMALL BUSINESS AWARDS FOR MANUFACTURING NAICS SUBSECTORS |                       |               |
|--|-----------------------|---------------|
| 332 FABRICATED METAL PRODUCT MANUFACTURING               | \$82,916.84           | 0.42%         |
| 333 MACHINERY MANUFACTURING                              | \$328,249.32          | 1.65%         |
| 334 COMPUTER AND ELECTRONIC PRODUCT MANUFAC              | \$2,765,599.18        | 13.91%        |
| 336 TRANSPORTATION EQUIPMENT MANUFACTURING               | \$66,650.43           | 0.34%         |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>       | <b>\$3,243,415.77</b> | <b>16.32%</b> |
| 326 PLASTICS AND RUBBER PRODUCTS MANUFACTURI             | \$14,570.13           | 0.07%         |
| 327 NONMETALLIC MINERAL PRODUCT MANUFACTURIN             | \$2,790.00            | 0.01%         |
| <b>SUBTOTAL: ALL SB-ONLY NAICS SUBSECTORS:</b>           | <b>\$17,360.13</b>    | <b>0.09%</b>  |
| 323 PRINTING AND RELATED SUPPORT ACTIVITIES              | \$14,271.26           | 0.07%         |
| 335 ELECTRICAL EQUIPMENT, APPLIANCE, AND COMPU           | \$116,517.10          | 0.59%         |
| 337 FURNITURE AND RELATED PRODUCT MANUFACTUR             | \$9,078.57            | 0.05%         |
| 339 MISCELLANEOUS MANUFACTURING                          | \$29,051.15           | 0.15%         |
| 511 PUBLISHING INDUSTRIES (EXCEPT INTERNET)              | \$448,875.32          | 2.26%         |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>       | <b>\$617,793.40</b>   | <b>3.11%</b>  |
| <b>TOTAL:</b>  | <b>\$3,878,569.30</b> | <b>19.51%</b> |

Table 8. Small Business Awards for Manufacturing NAICS Subsectors

**Analysis:** The vast majority of manufacturing awards received by small businesses (19.51 percent of total SAT level spending or \$3,878,569.30) actually fell within NAICS subsectors dominated by small firms (16.32 percent of total SAT level awards or \$3,243,415.77). Small business-only manufacturing spending accounted only for two NAICS subsectors or 0.09 percent of total SAT level spending.

**Finding:** *Manufacturing spending represents an attractive opportunity to increase small business participation through targeting of NAICS subsectors for outreach, cascading, and set-asides. Supplier base exists to support set-asides in at least 6 NAICS manufacturing subsectors for the total of 29.16 percent of total SAT level spending. In 5 NAICS manufacturing subsectors, for a total of 6.93 percent of total SAT level spending, cascading can be instituted on those SAT level solicitations. Thus, of 36.09 percent total SAT level spending on manufacturing NAICS subsectors, 36.08 percent can be potentially fulfilled by small businesses.*

*To increase small business participation, DON and buying commands should review their requirements to increase the use of Manufacturing NAICS codes. Further, buying commands should transmit the information on their Manufacturing NAICS subsectors to local PTACs for the purpose of a targeted SAM registration campaign. In this campaign, small firms will be queried whether they may consider registering in related NAICS categories within their existing manufacturing subsectors.*

#### **6. Nonmanufacturer Rule Challenges: Impact of NAICS Designations as Sellers and Stores on Awardee Business Size**

Data below tests the extent of *barriers faced by small firms in contracts which are designated under Supplies (Sellers and Stores) NAICS categories*. As stated in Chapter II(E), such designations are improper under the SBA Nonmanufacturer Rule regulations, but are consistent with the GSA's FPDS guidance. This inconsistency may be a deterrent to small business participation.

| LARGE BUSINESS AWARDS FOR SUPPLIES (SELLERS AND STORES) NAICS SUBSECTORS |                     |              |
|--|---------------------|--------------|
| 423 MERCHANT WHOLESALERS, DURABLE GOODS                                  | \$856.00            | 0.00%        |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>                       | <b>\$856.00</b>     | <b>0.00%</b> |
| 442 FURNITURE AND HOME FURNISHING STORES                                 | \$140,885.55        | 0.71%        |
| 443 ELECTRONICS AND APPLIANCE STORES                                     | \$447,320.91        | 2.25%        |
| 444 BUILDING MATERIALS AND GARDEN EQUIPMENT AND SUPPLIES                 | \$26,605.32         | 0.13%        |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>                       | <b>\$614,811.78</b> | <b>3.09%</b> |
| <b>TOTAL:</b>  | <b>\$615,667.78</b> | <b>3.10%</b> |

Table 9. Large Business Awards for Supplies (Sellers and Stores) NAICS Subsectors

**Analysis:** Large businesses received virtually all of their Suppliers (Sellers and Stores) awards in 3 NAICS subsectors dominated by large businesses, and minimal spending under 0.01 percent in one NAICS subsector dominated by small firms.

| SMALL BUSINESS AWARDS FOR SUPPLIES (SELLERS AND STORES) NAICS SUBSECTORS |                     |              |
|--|---------------------|--------------|
| 423 MERCHANT WHOLESALERS, DURABLE GOODS                                  | \$131,626.14        | 0.66%        |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>                       | <b>\$131,626.14</b> | <b>0.66%</b> |
| 442 FURNITURE AND HOME FURNISHING STORES                                 | \$65,629.47         | 0.33%        |
| 443 ELECTRONICS AND APPLIANCE STORES                                     | \$195,683.19        | 0.98%        |
| 444 BUILDING MATERIALS AND GARDEN EQUIPMENT AND SUPPLIES                 | \$16,633.76         | 0.08%        |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>                       | <b>\$277,946.42</b> | <b>1.40%</b> |
| <b>TOTAL:</b>  | <b>\$409,572.56</b> | <b>2.06%</b> |

Table 10. Small Business Awards for Supplies (Sellers and Stores) NAICS Subsectors

**Analysis:** Small businesses received the vast majority (1.4 percent out of 2.06 percent) of their Supplies (Sellers and Stores) awards in the three NAICS subsectors dominated by large firms.

**Finding:** *Improper designations of manufacturing NAICS procurements within retail subsectors of Supplies (Sellers and Stores) favors large businesses.*

*To increase small business participation, a buying command must redesignate its manufacturing procurements to proper NAICS codes. To ensure that small reseller firms can continue participation, DON and buying commands should seek NMR class waivers from the SBA.*

## 7. Impact of NAICS Services Designations

Data below tests the significance of NAICS service designations for small business participation.

| LARGE BUSINESS AWARDS FOR SERVICES NAICS SUBSECTORS |                       |               |
|---|-----------------------|---------------|
| 532 RENTAL AND LEASING SERVICES                     | \$6,374.00            | 0.03%         |
| 541 PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SER     | \$2,264,711.77        | 11.39%        |
| 561 ADMINISTRATIVE AND SUPPORT SERVICES             | \$118,839.21          | 0.60%         |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>  | <b>\$2,389,924.98</b> | <b>12.02%</b> |
| 533 LESSORS OF NONFINANCIAL INTANGIBLE ASSETS (     | \$7,440.00            | 0.04%         |
| 813 RELIGIOUS, GRANTMAKING, CIVIC, PROFESSIONAL     | \$71,374.00           | 0.36%         |
| <b>SUBTOTAL: ALL LB-ONLY NAICS SUBSECTORS</b>       | <b>\$78,814.00</b>    | <b>0.40%</b>  |
| 512 MOTION PICTURES AND SOUND RECORDING INDUS       | \$43,750.00           | 0.22%         |
| 517 TELECOMMUNICATIONS                              | \$230,773.97          | 1.16%         |
| 519 OTHER INFORMATION SERVICES                      | \$516,747.41          | 2.60%         |
| 611 EDUCATIONAL SERVICES                            | \$3,316,889.37        | 16.69%        |
| 811 REPAIR AND MAINTENANCE                          | \$155,953.91          | 0.78%         |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>  | <b>\$4,264,114.66</b> | <b>21.45%</b> |
| <b>TOTAL:</b>                                       | <b>\$6,732,853.64</b> | <b>33.88%</b> |

Table 11. Large Business Awards for Services NAICS Subsectors

**Analysis:** Large businesses received most of their Services awards (33.88 percent of total SAT spending) in NAICS subsectors dominated by large businesses (21.45 percent). Top large business NAICS services categories are Educational Services (16.69 percent) and Professional, Scientific, and Technical Services (11.39 percent).

| SMALL BUSINESS AWARDS FOR SERVICES NAICS SUBSECTORS |                       |               |
|---|-----------------------|---------------|
| 532 RENTAL AND LEASING SERVICES                     | \$61,979.32           | 0.31%         |
| 541 PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SER     | \$4,022,777.08        | 20.24%        |
| 561 ADMINISTRATIVE AND SUPPORT SERVICES             | \$252,591.37          | 1.27%         |
| <b>SUBTOTAL: ALL MAJORITY-SB NAICS SUBSECTORS:</b>  | <b>\$4,337,347.77</b> | <b>21.82%</b> |
| 236 CONSTRUCTION AND BUILDINGS                      | \$286,206.00          | 1.44%         |
| 484 TRUCK TRANSPORTATION                            | \$4,690.00            | 0.02%         |
| 562 WASTE MANAGEMENT AND REMEDIATION SERVICE        | \$5,500.00            | 0.03%         |
| <b>SUBTOTAL: ALL SB-ONLY NAICS SUBSECTORS:</b>      | <b>\$296,396.00</b>   | <b>1.49%</b>  |
| 512 MOTION PICTURES AND SOUND RECORDING INDUS       | \$23,000.00           | 0.12%         |
| 517 TELECOMMUNICATIONS                              | \$6,305.50            | 0.03%         |
| 519 OTHER INFORMATION SERVICES                      | \$62,088.00           | 0.31%         |
| 611 EDUCATIONAL SERVICES                            | \$87,249.57           | 0.44%         |
| 811 REPAIR AND MAINTENANCE                          | \$131,275.38          | 0.66%         |
| <b>SUBTOTAL: ALL MAJORITY-LB NAICS SUBSECTORS:</b>  | <b>\$309,918.45</b>   | <b>1.56%</b>  |
| <b>TOTAL:</b>                                       | <b>\$4,943,662.22</b> | <b>24.87%</b> |

Table 12. Small Business Awards for Services NAICS Subsectors

**Analysis:** Small businesses received most of their Services spending (24.87 percent of total SAT spending) in NAICS subsectors dominated by small business (21.82

percent). Most of this spending was within Professional, Scientific and Technical Services (20.24 percent).

**Finding:** *Small business participation in Services could be drastically improved by focusing on just two NAICS Services subsectors: Professional, Scientific, and Technical Services, as well as Educational Services. The former NAICS subsector could be set aside for small firms in its entirety, 31.63 percent of total SAT level spending. The latter NAICS subsector, Educational Services at 17.13 percent, could be set for cascading solicitations.*

*To increase small business participation at the SAT level, buying commands should begin by seeking to set aside all competitive acquisition in top NAICS categories dominated by small firms.*

## **8. Large and Small Business PSC Portfolios Analysis**

The data below tests barriers to small business participation from inconsistent or non-transparent PSC/FSC designations.

| LARGE BUSINESS PSC PORTFOLIOS                         |                        |                |
|---|------------------------|----------------|
| U0 EDUCATION AND TRAINING SERVICES                    | \$3,083,964.14         | 28.97%         |
| 70 ADP EQUIPMENT/SOFTWARE/SUPPLIES AND EQUIPMENT      | \$2,893,605.38         | 27.19%         |
| R4 PROFESSIONAL SERVICES                              | \$1,272,938.77         | 11.96%         |
| D3 ADP AND TELECOMMUNICATIONS                         | \$762,307.52           | 7.16%          |
| 76 BOOKS, MAPS, OTHER PUBLICATIONS                    | \$720,259.62           | 6.77%          |
| 66 INSTRUMENTS AND LABORATORY EQUIPMENT               | \$630,348.85           | 5.92%          |
| 71 FURNITURE  | \$183,058.93           | 1.72%          |
| T0 PHOTOGRAPHY, MAPPING, PRINTING, PUBLISHING         | \$137,850.20           | 1.30%          |
| J0 MAINTENANCE, REPAIR, REBUILD OF EQUIPMENT          | \$104,706.45           | 0.98%          |
| AJ GENERAL SCIENCE/TECHNOLOGY R&D                     | \$104,124.00           | 0.98%          |
| AF EDUCATION R&D                                      | \$84,165.00            | 0.79%          |
| R6 ADMINISTRATIVE SUPPORT SERVICES                    | \$83,430.92            | 0.78%          |
| R7 MANAGEMENT SUPPORT SERVICES                        | \$77,462.20            | 0.73%          |
| 69 TRAINING AIDES AND DEVICES                         | \$70,060.60            | 0.66%          |
| 18 SPACE VEHICLES                                     | \$55,915.72            | 0.53%          |
| 19 SHIPS, SMALL CRAFT, PONTOON, DOCKS                 | \$54,052.00            | 0.51%          |
| 59 ELECTRICAL/ELECTRONIC EQUIPMENT COMPONENTS         | \$51,251.00            | 0.48%          |
| 74 OFFICE MACHINES/TEXT PROCESSING/VISIBLE RECORDING  | \$42,522.03            | 0.40%          |
| B5 SPECIAL STUDIES - NOT R&D                          | \$36,144.00            | 0.34%          |
| 20 SHIPS AND MARINE EQUIPMENT                         | \$33,027.72            | 0.31%          |
| H9 OTHER QUALITY TESTING AND INSPECTION SERVICES      | \$30,000.00            | 0.28%          |
| 61 ELECTRIC WIRE, POWER DISTRIBUTION EQUIPMENT        | \$20,098.14            | 0.19%          |
| 67 PHOTOGRAPHIC EQUIPMENT                             | \$19,810.01            | 0.19%          |
| AD DEFENSE (OTHER) R&D                                | \$13,166.87            | 0.12%          |
| 39 MATERIALS HANDLING EQUIPMENT                       | \$12,142.00            | 0.11%          |
| 65 MEDICAL, DENTAL, VETERINARY EQUIPMENT AND SUPPLIES | \$10,409.45            | 0.10%          |
| 58 COMMUNICATION/DETECTION/COHERENT RADIATION         | \$9,796.84             | 0.09%          |
| L0 TECHNICAL REPRESENTATIVE SERVICES                  | \$6,735.00             | 0.06%          |
| AP NATURAL RESOURCES R&D                              | \$6,500.00             | 0.06%          |
| X1 LEASE/RENTAL OF BUILDINGS                          | \$6,449.00             | 0.06%          |
| 16 AIRCRAFT COMPONENTS/ACCESSORIES                    | \$5,976.30             | 0.06%          |
| 52 MEASURING TOOLS                                    | \$5,630.65             | 0.05%          |
| H1 QUALITY CONTROL SERVICES                           | \$5,166.00             | 0.05%          |
| W0 LEASE OR RENTAL OF EQUIPMENT                       | \$5,031.00             | 0.05%          |
| 43 PUMPS AND COMPRESSORS                              | \$4,429.80             | 0.04%          |
| 95 METAL BARS, SHEETS, SHAPES                         | \$1,082.00             | 0.01%          |
| <b>TOTAL:</b>   | <b>\$10,643,618.11</b> | <b>100.00%</b> |

Table 13. Large Business PSC Portfolios

**Analysis:** Large businesses received 70.92 percent of *their work* in exclusive contracts in 12 PSC/FSC portfolios (no small businesses), and in 8 PSC/FSC portfolios where they dominated. About one-third of small business awards (29.08 percent of large business awards) were in 8 PSC/FSC portfolios where small businesses dominated.

| SMALL BUSINESS PSC PORTFOLIOS                         |                       |                |
|---|-----------------------|----------------|
| 70 ADP EQUIPMENT/SOFTWARE/SUPPLIES AND EQUIPMENT      | \$2,605,111.29        | 28.22%         |
| R4 PROFESSIONAL SERVICES                              | \$1,699,349.39        | 18.41%         |
| D3 ADP AND TELECOMMUNICATIONS                         | \$1,567,723.99        | 16.98%         |
| 66 INSTRUMENTS AND LABORATORY EQUIPMENT               | \$1,047,711.97        | 11.35%         |
| 58 COMMUNICATION/DETECTION/COHERENT RADIATION         | \$302,144.26          | 3.27%          |
| Z1 MAINTENANCE, ALTERATION, REPAIR OF BUILDINGS       | \$286,206.00          | 3.10%          |
| R6 ADMINISTRATIVE SUPPORT SERVICES                    | \$206,185.67          | 2.23%          |
| 76 BOOKS, MAPS, OTHER PUBLICATIONS                    | \$164,414.82          | 1.78%          |
| J0 MAINTENANCE, REPAIR, REBUILD OF EQUIPMENT          | \$151,666.96          | 1.64%          |
| L0 TECHNICAL REPRESENTATIVE SERVICES                  | \$149,587.00          | 1.62%          |
| U0 EDUCATION AND TRAINING SERVICES                    | \$144,754.18          | 1.57%          |
| 67 PHOTOGRAPHIC EQUIPMENT                             | \$113,815.15          | 1.23%          |
| 18 SPACE VEHICLES                                     | \$99,243.00           | 1.08%          |
| 19 SHIPS, SMALL CRAFT, PONTOON, DOCKS                 | \$87,314.00           | 0.95%          |
| 71 FURNITURE  | \$79,123.17           | 0.86%          |
| 74 OFFICE MACHINES/TEXT PROCESSING/VISIBLE RECORDING  | \$71,519.14           | 0.77%          |
| 61 ELECTRIC WIRE, POWER DISTRIBUTION EQUIPMENT        | \$64,007.13           | 0.69%          |
| 52 MEASURING TOOLS                                    | \$63,049.56           | 0.68%          |
| 77 MUSICAL INSTRUMENTS/PHONOGRAPHS/HOME RADIO         | \$56,778.53           | 0.62%          |
| AD DEFENSE (OTHER) R&D                                | \$47,640.00           | 0.52%          |
| 84 CLOTHING/INDIVIDUAL EQUIPMENT, INSIGNIA            | \$35,303.85           | 0.38%          |
| 54 PREFABRICATED STRUCTURES/SCAFFOLDING               | \$24,036.37           | 0.26%          |
| 43 PUMPS AND COMPRESSORS                              | \$23,983.00           | 0.26%          |
| T0 PHOTOGRAPHY, MAPPING, PRINTING, PUBLISHING         | \$23,000.00           | 0.25%          |
| 34 METALWORKING MACHINERY                             | \$21,335.83           | 0.23%          |
| 36 SPECIAL INDUSTRY MACHINERY                         | \$18,895.00           | 0.20%          |
| K0 MODIFICATION OF EQUIPMENT                          | \$18,750.00           | 0.20%          |
| 65 MEDICAL, DENTAL, VETERINARY EQUIPMENT AND SUPPLIES | \$10,533.40           | 0.11%          |
| 59 ELECTRICAL/ELECTRONIC EQUIPMENT COMPONENTS         | \$10,105.26           | 0.11%          |
| N0 INSTALLATION OF EQUIPMENT                          | \$7,480.00            | 0.08%          |
| 45 PLUMBING, HEATING, WASTE DISPOSAL                  | \$5,500.00            | 0.06%          |
| AF EDUCATION R&D                                      | \$4,950.00            | 0.05%          |
| 75 OFFICE SUPPLIES AND DEVICES                        | \$4,776.00            | 0.05%          |
| 53 HARDWARE AND ABRASIVES                             | \$4,500.00            | 0.05%          |
| 63 ALARM, SIGNAL, SECURITY DETECTION                  | \$4,235.00            | 0.05%          |
| 49 MAINTENANCE/REPAIR SHOP EQUIPMENT                  | \$3,950.00            | 0.04%          |
| H1 QUALITY CONTROL SERVICES                           | \$3,125.16            | 0.03%          |
| <b>TOTAL:</b>   | <b>\$9,231,804.08</b> | <b>100.00%</b> |

Table 14. Small Business PSC Portfolios

**Analysis:** Small businesses received *two-thirds of their work* (67.13 of small business awards) in exclusive contracts in 13 PSC/FSC portfolios (no large businesses), and in 17 PSC/FSC portfolios where they dominated. About one-third of small business awards (32.87 percent of small business awards or 15.27 percent of SAT level awards)



were in 8 PSC/FSC portfolios where large businesses dominated. The top small business PSC portfolios amounted were ADP Equipment, Software, Supplies & Equipment; Professional Services; ADP and Telecommunications; Instruments and Laboratory Equipment; Communication/Detection/Coherent Radiation; Maintenance, Alteration, Repair of Buildings; Administrative Support Services; Books, Maps, Other Publications; Maintenance, Repair, Rebuilding of Equipment; and Technical Representative Services.

**Finding:** *Large businesses tend to dominate fewer PSC/FSCs than small businesses, and large businesses have a clear competitive advantage over small firms in select top PSC/FSC portfolios.*

*Among top 10 PSC/FSCs portfolios for large and small business, 6 portfolios overlap. Those overlapping portfolios were: ADP Equipment, Software, Supplies & Equipment; Professional Services; ADP and Telecommunications; Instruments and Laboratory Equipment; Books, Maps, Other Publications; Maintenance, Repair, Rebuilding of Equipment. In those codes, mandatory and discretionary SBR set-asides and/or cascading procurements would be appropriate.*

*The 3 exclusive top large business portfolios were: Education and Training Services; Furniture; Photography, Mapping, Printing, and Publishing. For those codes, the buying command should ensure consistency and transparency in matching with NAICS codes.*

*In contrast, the 3 exclusive top small business portfolios were Maintenance, Alteration, Repair of Buildings; Musical Instruments/Phonographs/Home Radio; and Clothing/Individual Equipment & Insignia. In those codes, mandatory SBR set-asides would be appropriate upon consistent matching with NAICS codes. The performance risk to the government from such set-asides would be low.*

## 9. Top NAICS Code Analysis and Set-Aside Targeting

The data below identifies top codes for set-aside targeting.

| TOP LARGE BUSINESS NAICS CODES   |                        |               |
|--|------------------------|---------------|
| COLLEGES, UNIVERSITIES, AND PROFESSIONAL SCHOOLS   | \$2,674,364.67         | 13.46%        |
| <b>ALL OTHER NAICS CODES</b>   | <b>\$2,226,795.50</b>  | <b>11.20%</b> |
| ELECTRONIC COMPUTER MANUFACTURING  | \$1,485,106.67         | 7.47%         |
| OTHER COMPUTER RELATED SERVICES  | \$1,135,495.35         | 5.71%         |
| PROFESSIONAL AND MANAGEMENT DEVELOPMENT TRAINING   | \$566,082.50           | 2.85%         |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)                        | \$496,789.79           | 2.50%         |
| ALL OTHER INFORMATION SERVICES   | \$492,705.57           | 2.48%         |
| COMPUTER AND SOFTWARE STORES   | \$447,320.91           | 2.25%         |
| SOFTWARE PUBLISHERS  | \$366,738.52           | 1.85%         |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING SERVICES   | \$277,855.89           | 1.40%         |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING                | \$253,006.72           | 1.27%         |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES | \$221,356.02           | 1.11%         |
| <b>TOTAL</b>   | <b>\$10,643,618.11</b> | <b>53.55%</b> |

Table 15. Top Large Business NAICS Codes

**Analysis:** Large business awards in top 10 large business NAICS constituted approximately 41.24 percent of total SAT level spending, which includes 4 NAICS where large business awards overlapped with small business awards. The fifth overlapping NAICS was the 11<sup>th</sup> top large business NAICS. Approximately 12 percent of total SAT level spending was on all other small business NAICS codes. Spending on codes which did not overlap with top large business NAICS codes accounted for 11.43 percent of total SAT level spending.

| TOP SMALL BUSINESS NAICS CODES   |                |        |
|--|----------------|--------|
| ALL OTHER NAICS CODES  | \$2,927,650.19 | 14.73% |
| OTHER COMPUTER RELATED SERVICES  | \$2,813,061.85 | 14.15% |
| ELECTRONIC COMPUTER MANUFACTURING  | \$973,402.51   | 4.90%  |
| ALL OTHER PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES   | \$489,850.20   | 2.46%  |
| TELEPHONE APPARATUS MANUFACTURING  | \$333,368.00   | 1.68%  |
| SOFTWARE PUBLISHERS  | \$324,378.78   | 1.63%  |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING   | \$292,347.00   | 1.47%  |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES | \$289,449.17   | 1.46%  |
| COMMERCIAL AND INSTITUTIONAL BUILDING CONSTRUCTION   | \$286,206.00   | 1.44%  |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING                                  | \$274,068.38   | 1.38%  |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING                | \$228,022.00   | 1.15%  |
| TOTAL  | \$9,231,804.08 | 46.45% |

Table 16. Top Small Business NAICS Codes

**Analysis:** Small business awards in top 10 small business NAIC codes constituted 31.72 percent of total SAT level spending. Approximately 15 percent of total SAT level spending was on all other small business NAICS codes. Spending on codes which did not overlap with top large business NAICS codes accounted for only 8.43 percent of total SAT level spending.

| TOP SET-ASIDE TARGETS: SPENDING IN OVERLAPPING TOP NAICS CODES   |        |                |
|--|--------|----------------|
| ELECTRONIC COMPUTER MANUFACTURING  | 12.37% | \$2,458,509.18 |
| OTHER COMPUTER RELATED SERVICES  | 19.87% | \$3,948,557.20 |
| SOFTWARE PUBLISHERS  | 3.48%  | \$691,117.30   |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING                | 2.42%  | \$481,028.72   |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES | 2.57%  | \$510,805.19   |
| TOTAL:   | 40.70% | \$8,090,017.59 |

Table 17. Top Set-Aside Targets: Spending in Overlapping Top NAICS Codes

**Analysis:** The overlapping NAICS codes constitute a total of 5 NAICS codes (3 manufacturing codes, 1 information code, and 1 services code) constitute 40.70 percent of total SAT level spending or \$8,090,017.59.

**Finding:** *Overlapping NAICS Codes constitute over 40 percent of total SAT level spending. Those overlapping codes are prime candidates for set-asides under current automatic, mandatory SBR terms, mainly because of substantial performance*

*capabilities already exhibited by the small business sector. Even if only one small business offeror ends up submitting an offer on a set-aside within those NAICS codes, the performance risk to the Department of the Navy and the buying command will be low. These set-asides will create a strong base for achieving small business goals.*

## **10. Conclusion**

The promise of the NAVUSA model is a potential 31 percent increase in small business SAT level contract spending. Between 6 and 15 percent in new small business spending will come will come in the form of small business awards made other than mandatory SBRs, such as cascading. Thus, another 15 to 25 percent in new small business spending should come from mandatory SBRs. The higher percentage of set-asides would occur upon proper alignment of NAICS and PSC classifications. The NAVUSA model also provides a boost to small manufacturers. Approximately 5 to 6 percent of total SAT level spending can be redirected to small business manufacturers from the resellers. About 12 percent of SAT level spending can be redirected from large business manufacturers to small business manufacturers through small business set-asides.

The NAVUSA model addresses barriers to entry which small businesses face from inadequate and unclear information and policies concerning the use of NAICS and PSC/FSC codes by the buying command. *The principle barrier addressed by the NAVUSA model is the inconsistent use of NAICS and PSC classifications. The secondary barrier addressed by the NAVUSA Model is the Nonmanufacturer Rule and the problems faced by small business resellers of manufactured products.*

The NAVUSA model data analysis suggests specific opportunities for small business growth. Tangible and attainable opportunities for future small business maximization include the following.

- Procurement solicitation planning based on historical data of NAICS subsectors and the identified vendor pool in IDVs and the Open Market;
- Increase utilization of small business set-asides in RFIs and RFQs

- Installation self-assessment and consolidation of baseline NAICS codes, subsectors, and correlated PSC codes;
- Small business cannibalization of large business awards in overlapping NAICS subsectors and PSC Codes;
- Increased use of cascading Open Market competitive procurements when historical IDV procurement resulted in large business awards;
- Reassessment of IDVs and historical NAICS codes to decrease one offer awards;
- Development of installation specific Small Business Policies to develop uniform discretionary methods for small business maximization; and
- Opportunity to develop robust baseline small business training for the Contracting, Purchasing, and GWPC procurement workforce to master and maximize small business awards policy and procedures.

Thus, NAVUSA model blends the insight on legal and regulatory barriers to SAT level small business contracting with the priorities of the *BBP* Initiative and the OSBP *Strategic Plans*.

**D. THE NAVBID (NAICS ACCESS VISUALIZATION – BARRIERS INTELLIGENCE DASHBOARD) MODEL: ANALYSIS OF COMMON NAICS SPENDING**

**1. Introduction to the NAVBID Model: Participation in Common NAICS Procurements by Businesses of All Sizes**

The NAICS Access Visualization – Barriers Intelligence Dashboard (NAVBID) model is an alternative to the MAXPRAC tool. NAVBID is a series of dashboards based on two premises. First, when it comes to SAT level awards, a buying command must and need to focus on its own contracting methods and industry categories and not on procurement histories of other commands. Second, when it comes to increasing small business participation, a buying command must follow SBR and relevant GAO precedents. Therefore, a buying command must determine whether small business vendors are available to meet its requirements within its intended specific NAICS categories. In particular, a buying command must determine whether it has a record of successful contracting with small business vendors within the same NAICS category.

| NAVBID MODEL: PARTICIPATION IN COMMON NAICS CATEGORY PROCUREMENTS BY BUSINESS SIZE |                |                                   |                |                                   |                |                                   |              |                                      |             |                                      |              |                                      |                     |                                      |   |  |
|--|----------------|-----------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|--------------|--------------------------------------|-------------|--------------------------------------|--------------|--------------------------------------|---------------------|--------------------------------------|---|--|
| BUSINESS<br>SIZE<br>STATUS   | OPEN<br>MARKET | Share of<br>Total SAP<br>Spending | FAS            | Share of<br>Total SAP<br>Spending | NASA           | Share of<br>Total SAP<br>Spending | NAVY         | Share of<br>Total<br>SAP<br>Spending | ARMY        | Share of<br>Total<br>SAP<br>Spending | LOC          | Share of<br>Total<br>SAP<br>Spending | Total IDV<br>Awards | Share of<br>Total<br>SAP<br>Spending | Total Awards<br>for NAICS<br>Categories | Total<br>Share of<br>Total SAP<br>Spending |
| LARGE  | \$2,381,879.15 | 11.98%                            | \$1,180,117.16 | 5.94%                             | \$2,144,313.23 | 10.79%                            | \$147,749.94 | 0.74%                                | \$92,420.07 | 0.46%                                | \$477,270.57 | 2.40%                                | \$4,041,870.97      | 20.34%                               | \$6,423,750.12                          | 32.32%                                     |
| SMALL  | \$3,755,430.57 | 18.89%                            | \$1,941,271.57 | 9.77%                             | \$1,656,575.02 | 8.33%                             | \$94,372.12  | 0.47%                                | \$0.00      | 0.00%                                | \$37,288.00  | 0.19%                                | \$3,729,506.71      | 18.76%                               | \$7,484,937.28                          | 37.66%                                     |
| TOTAL  | \$6,137,309.72 | 30.88%                            | \$3,121,388.73 | 15.70%                            | \$3,800,888.25 | 19.12%                            | \$242,122.06 | 1.22%                                | \$92,420.07 | 0.46%                                | \$514,558.57 | 2.59%                                | \$7,771,377.68      | 39.10%                               | \$13,908,687.40                         | 69.98%                                     |

Table 18. NAVBID Model: Participation in Common NAICS Category Procurements by Business Size

**Analysis:** Data above shows that the vast majority of SAT level awards were in NAICS categories common to large and small firms. Small firms prevailed across the board with 37.66 percent of total spending value over 32.32 percent of total spending

value that went to large firms. NPS spent 69.98 percent of its SAT level spending on contracts with NAICS classifications where both small and large businesses received awards, or \$6,137,309.72. Approximately 54 percent of that common NAICS spending went to small firms. Small business spending exceeded large business spending overall, on the Open Market, and on the GSA FSS Schedule.

***Finding: Data shows that Open Market and FAS FSS are more favorable to small business than to large business. On the other hand, IDVs such as the Navy, Army, NASA, and LOC IDVs favor large business. Indeed, Army IDV has no small business participation at all in NPS SAT level awards, while the LOC IDV has negligible small business participation. A buying command should direct its buyers to maximize the use of pro-small business IDVs and minimize the use of pro-large business IDVs.***

## **2. Contracting Mechanisms for Participation by Businesses of All Sizes across Common NAICS Categories**

In order to enhance small business participation, it is crucial for a buying command to determine which contracting mechanisms are followed by its acquisition workforce across NAICS categories common to businesses of all sizes. There are 37 such common NAICS categories and 6 specific contacting mechanisms used across those NAICS categories: GSA FAS FSS, Army, Navy, LOC, and NASA IDVs, as well as Open Market.

| NAVBID MODEL: CONTRACTING MECHANISMS FOR COMMON NAICS CATEGORIES SPENDING WITH BUSINESSES OF ALL SIZES       |                |                |                |              |             |              |                |                           |                             |
|--|----------------|----------------|----------------|--------------|-------------|--------------|----------------|---------------------------|-----------------------------|
| NAICS DESCRIPTION  | OPEN MARKET    | FAS            | NASA           | NAVY         | ARMY        | LOC          | IDV Awards     | Total Common NAICS Awards | Share of Total SAP Spending |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING  | \$202,676.38   | \$242,900.51   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$242,900.51   | \$445,576.89              | 2.24%                       |
| ALL OTHER INFORMATION SERVICES   | \$15,435.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$514,558.57 | \$514,558.57   | \$529,993.57              | 2.67%                       |
| ALL OTHER MISCELLANEOUS ELECTRICAL EQUIPMENT AND COMPONENT MANUFACTURING                                     | \$77,057.00    | \$181,587.73   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$181,587.73   | \$258,644.73              | 1.30%                       |
| BOOK PUBLISHERS  | \$6,308.76     | \$93,525.90    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$93,525.90    | \$99,834.66               | 0.50%                       |
| BOOKS PRINTING   | \$0.00         | \$16,436.15    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$16,436.15    | \$16,436.15               | 0.08%                       |
| COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT (EXCEPT AUTOMOTIVE AND ELECTRONIC)                         | \$123,560.24   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$123,560.24              | 0.62%                       |
| COMPUTER AND OFFICE MACHINE REPAIR AND MAINTENANCE   | \$0.00         | \$87,104.64    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$87,104.64    | \$87,104.64               | 0.44%                       |
| COMPUTER AND SOFTWARE STORES   | \$0.00         | \$643,004.10   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$643,004.10   | \$643,004.10              | 3.24%                       |
| COMPUTER STORAGE DEVICE MANUFACTURING  | \$21,668.92    | \$0.00         | \$0.00         | \$0.00       | \$4,835.65  | \$0.00       | \$4,835.65     | \$26,504.57               | 0.13%                       |
| COMPUTER SYSTEMS DESIGN SERVICES   | \$126,880.50   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$126,880.50              | 0.64%                       |
| COMPUTER TRAINING  | \$32,162.00    | \$45,768.57    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$45,768.57    | \$77,930.57               | 0.39%                       |
| CONVENTION AND TRADE SHOW ORGANIZERS   | \$141,003.88   | \$0.00         | \$0.00         | \$23,496.65  | \$0.00      | \$0.00       | \$23,496.65    | \$164,500.53              | 0.83%                       |
| CUSTOM COMPUTER PROGRAMMING SERVICES   | \$149,864.45   | \$30,328.10    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$30,328.10    | \$180,192.55              | 0.91%                       |
| EDUCATIONAL SUPPORT SERVICES   | \$70,796.60    | \$0.00         | \$0.00         | \$2,648.60   | \$0.00      | \$0.00       | \$2,648.60     | \$73,445.20               | 0.37%                       |
| ELECTRONIC COMPUTER MANUFACTURING  | \$0.00         | \$689,995.27   | \$1,745,363.15 | \$0.00       | \$23,150.76 | \$0.00       | \$2,458,509.18 | \$2,458,509.18            | 12.37%                      |
| ENGINEERING SERVICES   | \$230,840.65   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$230,840.65              | 1.16%                       |
| FURNITURE STORES   | \$0.00         | \$0.00         | \$0.00         | \$206,515.02 | \$0.00      | \$0.00       | \$206,515.02   | \$206,515.02              | 1.04%                       |
| HARDWARE STORES  | \$0.00         | \$43,239.08    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$43,239.08    | \$43,239.08               | 0.22%                       |
| INDUSTRIAL MACHINERY AND EQUIPMENT MERCHANT WHOLESALERS  | \$15,956.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$15,956.00               | 0.08%                       |
| INSTRUMENT MANUFACTURING FOR MEASURING AND TESTING ELECTRICITY   | \$113,674.14   | \$44,958.99    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$44,958.99    | \$158,633.13              | 0.80%                       |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS | \$349,028.74   | \$161,776.45   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$161,776.45   | \$510,805.19              | 2.57%                       |
| INTERNET PUBLISHING AND BROADCASTING AND WEB SEARCH PORTALS  | \$45,978.84    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$45,978.84               | 0.23%                       |
| MARKETING RESEARCH AND PUBLIC OPINION POLLING  | \$14,000.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$14,000.00               | 0.07%                       |
| MOTION PICTURE AND VIDEO PRODUCTION  | \$66,750.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$66,750.00               | 0.34%                       |
| OPTICAL INSTRUMENT AND LENS MANUFACTURING  | \$189,747.21   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$189,747.21              | 0.95%                       |
| OTHER COMMUNICATIONS EQUIPMENT MANUFACTURING   | \$15,850.00    | \$29,144.02    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$29,144.02    | \$44,994.02               | 0.23%                       |
| OTHER COMPUTER PERIPHERAL EQUIPMENT MANUFACTURING  | \$7,250.00     | \$5,000.00     | \$0.00         | \$0.00       | \$4,285.50  | \$0.00       | \$9,285.50     | \$16,535.50               | 0.08%                       |
| OTHER COMPUTER RELATED SERVICES  | \$1,508,995.55 | \$378,790.55   | \$2,055,525.10 | \$5,246.00   | \$0.00      | \$0.00       | \$2,439,561.65 | \$3,948,557.20            | 19.87%                      |
| OTHER ELECTRONIC AND PRECISION EQUIPMENT REPAIR AND MAINTENANCE  | \$76,564.41    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$76,564.41               | 0.39%                       |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING   | \$331,005.37   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$331,005.37              | 1.67%                       |
| OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES   | \$83,166.87    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$83,166.87               | 0.42%                       |
| PERIODICAL PUBLISHERS  | \$36,890.80    | \$77,906.66    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$77,906.66    | \$114,797.46              | 0.58%                       |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING                        | \$72,269.00    | \$261,843.24   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$261,843.24   | \$334,112.24              | 1.68%                       |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)              | \$561,678.79   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$561,678.79              | 2.83%                       |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING      | \$481,028.72   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$481,028.72              | 2.42%                       |
| SOFTWARE PUBLISHERS  | \$563,813.57   | \$62,939.78    | \$0.00         | \$4,215.79   | \$60,148.16 | \$0.00       | \$127,303.73   | \$691,117.30              | 3.48%                       |
| TELEPHONE APPARATUS MANUFACTURING  | \$397,247.33   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$397,247.33              | 2.00%                       |
| TRANSLATION AND INTERPRETATION SERVICES  | \$8,160.00     | \$25,138.99    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$25,138.99    | \$33,298.99               | 0.17%                       |
| TOTAL:   | \$6,137,309.72 | \$3,121,388.73 | \$3,800,888.25 | \$242,122.06 | \$92,420.07 | \$514,558.57 | \$7,771,377.68 | \$13,908,687.40           | 69.98%                      |

Table 19. NAVBID Model: Contracting Mechanisms for Common NAICS Categories,



## Spending with Businesses of All Sizes

**Analysis:** In 6 NAICS categories, no Open Market purchases were used. In 7 NAICS categories, no IDVs were used. In the remaining majority of 24 common NAICS categories, NPS used a mix of Open Market and IDVs. The FAS FSS was used in 19 NAICS categories, NASA IDV in just 2 categories, Navy was used in 5 categories, Army was used in 4 categories, and LOC was used in just 1 category.

**Finding:** *An individual buying command will likely use mixed IDV-Open Market procurement strategies for the same NAICS category in a majority of its NAICS categories.* The mixed strategies can involve both 1105 Purchasing Agents and 1102 Contracting Specialists. In a sizeable minority of categories, a buying command will use an Open Market-only strategy that can only be used by 1102 Contracting Specialists or IDV-only strategy that can be used by 1105 Purchasing Agents without the expertise of Contracting Specialists. *The choice of these strategies raises questions whether:*

*(1) the buying command's staff should be better informed, coordinated, and directed in their choice of these strategies;*

*(2) the buying command's 1102 and 1105 staff has the sufficient professional expertise, education, and training concerning the mandatory and discretionary SBRs; and*

*(3) there is sufficient availability and share of market research information within a buying command.*

### **3. Contracting Mechanisms for Large Business Participation across Common NAICS Categories**

The understanding of contracting mechanisms used for large business awards is necessary to examine any potential advantage which large businesses may have from the specific contracting mechanisms.

| NAVBID MODEL: CONTRACTING MECHANISMS FOR COMMON NAICS CATEGORIES SPENDING WITH LARGE BUSINESSES             |                |                |                |              |             |              |                |                             |                           |
|---|----------------|----------------|----------------|--------------|-------------|--------------|----------------|-----------------------------|---------------------------|
| NAICS DESCRIPTION   | OPEN MARKET    | FAS            | NASA           | NAVY         | ARMY        | LOC          | IDV Awards     | Total Large Business Awards | Share of Total SAP Awards |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING SERVICES  | \$34,955.38    | \$242,900.51   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$242,900.51   | \$277,855.89                | 1.40%                     |
| ALL OTHER INFORMATION SERVICES  | \$15,435.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$477,270.57 | \$477,270.57   | \$492,705.57                | 2.48%                     |
| ALL OTHER MISCELLANEOUS ELECTRICAL EQUIPMENT AND COMPONENT MANUFACTURING                                    | \$0.00         | \$155,697.63   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$155,697.63   | \$155,697.63                | 0.78%                     |
| BOOK PUBLISHERS   | \$0.00         | \$36,110.98    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$36,110.98    | \$36,110.98                 | 0.18%                     |
| BOOKS PRINTING  | \$0.00         | \$12,665.87    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$12,665.87    | \$12,665.87                 | 0.06%                     |
| COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT (EXCEPT AUTOMOTIVE AND ELECTRONIC) REPAIR AND MAINTENANCE | \$116,000.24   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$116,000.24                | 0.58%                     |
| COMPUTER AND OFFICE MACHINE REPAIR AND MAINTENANCE  | \$0.00         | \$10,489.26    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$10,489.26    | \$10,489.26                 | 0.05%                     |
| COMPUTER AND SOFTWARE STORES  | \$0.00         | \$447,320.91   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$447,320.91   | \$447,320.91                | 2.25%                     |
| COMPUTER STORAGE DEVICE MANUFACTURING   | \$0.00         | \$0.00         | \$0.00         | \$0.00       | \$4,835.65  | \$0.00       | \$4,835.65     | \$4,835.65                  | 0.02%                     |
| COMPUTER SYSTEMS DESIGN SERVICES  | \$3,897.00     | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$3,897.00                  | 0.02%                     |
| COMPUTER TRAINING   | \$32,162.00    | \$3,519.00     | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$3,519.00     | \$35,681.00                 | 0.18%                     |
| CONVENTION AND TRADE SHOW ORGANIZERS  | \$100,450.00   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$100,450.00                | 0.51%                     |
| CUSTOM COMPUTER PROGRAMMING SERVICES  | \$12,845.91    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$12,845.91                 | 0.06%                     |
| EDUCATIONAL SUPPORT SERVICES  | \$25,796.60    | \$0.00         | \$0.00         | \$2,648.60   | \$0.00      | \$0.00       | \$2,648.60     | \$28,445.20                 | 0.14%                     |
| ELECTRONIC COMPUTER MANUFACTURING   | \$0.00         | \$47,202.54    | \$1,414,753.37 | \$0.00       | \$23,150.76 | \$0.00       | \$1,485,106.67 | \$1,485,106.67              | 7.47%                     |
| ENGINEERING SERVICES  | \$129,119.96   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$129,119.96                | 0.65%                     |
| FURNITURE STORES  | \$0.00         | \$0.00         | \$0.00         | \$140,885.55 | \$0.00      | \$0.00       | \$140,885.55   | \$140,885.55                | 0.71%                     |
| HARDWARE STORES   | \$0.00         | \$26,605.32    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$26,605.32    | \$26,605.32                 | 0.13%                     |
| INDUSTRIAL MACHINERY AND EQUIPMENT MERCHANT WHOLESALERS   | \$856.00       | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$856.00                    | 0.00%                     |
| INSTRUMENT MANUFACTURING FOR MEASURING AND TESTING ELECTRICITY AND ELECTRICAL SIGNALS                       | \$29,010.29    | \$16,814.47    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$16,814.47    | \$45,824.76                 | 0.23%                     |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING                   | \$178,478.00   | \$42,878.02    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$42,878.02    | \$221,356.02                | 1.11%                     |
| INTERNET PUBLISHING AND BROADCASTING AND WEB SEARCH PORTALS   | \$21,178.84    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$21,178.84                 | 0.11%                     |
| MARKETING RESEARCH AND PUBLIC OPINION POLLING   | \$8,000.00     | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$8,000.00                  | 0.04%                     |
| MOTION PICTURE AND VIDEO PRODUCTION   | \$43,750.00    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$43,750.00                 | 0.22%                     |
| OPTICAL INSTRUMENT AND LENS MANUFACTURING   | \$5,540.21     | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$5,540.21                  | 0.03%                     |
| OTHER COMMUNICATIONS EQUIPMENT MANUFACTURING  | \$0.00         | \$24,820.36    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$24,820.36    | \$24,820.36                 | 0.12%                     |
| OTHER COMPUTER PERIPHERAL EQUIPMENT MANUFACTURING   | \$0.00         | \$0.00         | \$0.00         | \$0.00       | \$4,285.50  | \$0.00       | \$4,285.50     | \$4,285.50                  | 0.02%                     |
| OTHER COMPUTER RELATED SERVICES   | \$375,531.86   | \$30,403.63    | \$729,559.86   | \$0.00       | \$0.00      | \$0.00       | \$759,963.49   | \$1,135,495.35              | 5.71%                     |
| OTHER ELECTRONIC AND PRECISION EQUIPMENT REPAIR AND MAINTENANCE   | \$29,464.41    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$29,464.41                 | 0.15%                     |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING  | \$38,658.37    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$38,658.37                 | 0.19%                     |
| OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES  | \$13,166.87    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$13,166.87                 | 0.07%                     |
| PERIODICAL PUBLISHERS   | \$3,890.80     | \$50,133.80    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$50,133.80    | \$54,024.60                 | 0.27%                     |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING                       | \$47,641.00    | \$12,402.86    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$12,402.86    | \$60,043.86                 | 0.30%                     |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)             | \$496,789.79   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$496,789.79                | 2.50%                     |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING     | \$253,006.72   | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$253,006.72                | 1.27%                     |
| SOFTWARE PUBLISHERS   | \$302,374.57   | \$0.00         | \$0.00         | \$4,215.79   | \$60,148.16 | \$0.00       | \$64,363.95    | \$366,738.52                | 1.85%                     |
| TELEPHONE APPARATUS MANUFACTURING   | \$63,879.33    | \$0.00         | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$0.00         | \$63,879.33                 | 0.32%                     |
| TRANSLATION AND INTERPRETATION SERVICES   | \$0.00         | \$20,152.00    | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$20,152.00    | \$20,152.00                 | 0.10%                     |
| TOTAL:  | \$2,381,879.15 | \$1,180,117.16 | \$2,144,313.23 | \$147,749.94 | \$92,420.07 | \$477,270.57 | \$4,041,870.97 | \$6,423,750.12              | 32.32%                    |

Table 20. NAVBID Model: Contracting Mechanisms for Common NAICS Categories,

## Spending with Large Businesses

**Analysis:** In 12 NAICS categories, no Open Market purchases were used. In 14 NAICS categories, no IDVs were used. In the remaining 11 common NAICS categories, NPS used a mix of Open Market and IDVs. Thus, large businesses were awarded IDV orders in 23 of NAICS categories. The FAS FSS was used in 16 NAICS categories, NASA IDV in just 2 categories, Navy was used in 3 categories, Army was used in 4 categories, and LOC was used in just 1 category. In comparison, as stated above, no Open Market purchases were used in just 6 common large and small business NAICS categories. Likewise, in comparison, no IDVs were used in 7 common NAICS categories. Finally, the mix of Open Market and IDVs was used in 24 common categories. The FAS FSS was used in 19 common NAICS categories, NASA IDV in just 2 categories, Navy was used in 5 common categories, Army was used in 4 common categories, and LOC was used in just 1 common category.

**Finding:** *Both large and small firms have most-favorable contracting mechanisms ensuring their exclusive competitive domination within specific NAICS categories. A buying command should preserve and enhance the use of small business-only contracting mechanisms for each common NAICS category and should immediately discontinue, if possible, the use of contracting mechanisms which exclusively favor large businesses.* For 5 NAICS categories, large businesses have completely ceded their competitive position to small businesses in either the GSA FSS and/or Navy IDV orders; in 6 categories, the same advantage falls to small business in Open Market procurements. In contrast, large business has total competitive domination of IDVs in 7 NAICS categories. *A buying command should adjust its sourcing strategies accordingly. This shift in buying strategies may mean the shift in workload between and within the 1102 and 1105 workforce series, and/or would require additional training to manage or avoid this shift.*

#### **4. Contracting Mechanisms for Small Business Participation across Common NAICS Categories**

The understanding of contracting mechanisms used for small business awards is necessary to examine whether a buying command is transparent and consistent in soliciting small business participation.

| NAVBID MODEL: CONTRACTING MECHANISMS FOR COMMON NAICS CATEGORIES SPENDING WITH SMALL BUSINESSES                        |                |                |                |             |        |             |                |                             |                           |
|--|----------------|----------------|----------------|-------------|--------|-------------|----------------|-----------------------------|---------------------------|
| NAICS DESCRIPTION  | OPEN MARKET    | FAS            | NASA           | NAVY        | ARMY   | LOC         | IDV Awards     | Total Large Business Awards | Share of Total SAP Awards |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING SERVICES   | \$167,721.00   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$167,721.00                | 0.84%                     |
| ALL OTHER INFORMATION SERVICES   | \$0.00         | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$37,288.00 | \$37,288.00    | \$37,288.00                 | 0.19%                     |
| ALL OTHER MISCELLANEOUS ELECTRICAL EQUIPMENT AND COMPONENT MANUFACTURING   | \$77,057.00    | \$25,890.10    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$25,890.10    | \$102,947.10                | 0.52%                     |
| BOOK PUBLISHERS  | \$6,308.76     | \$57,414.92    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$57,414.92    | \$63,723.68                 | 0.32%                     |
| BOOKS PRINTING   | \$0.00         | \$3,770.28     | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$3,770.28     | \$3,770.28                  | 0.02%                     |
| COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT (EXCEPT AUTOMOTIVE AND ELECTRONIC) REPAIR AND MAINTENANCE            | \$7,560.00     | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$7,560.00                  | 0.04%                     |
| COMPUTER AND OFFICE MACHINE REPAIR AND MAINTENANCE   | \$0.00         | \$76,615.38    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$76,615.38    | \$76,615.38                 | 0.39%                     |
| COMPUTER AND SOFTWARE STORES   | \$0.00         | \$195,683.19   | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$195,683.19   | \$195,683.19                | 0.98%                     |
| COMPUTER STORAGE DEVICE MANUFACTURING  | \$21,668.92    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$21,668.92                 | 0.11%                     |
| COMPUTER SYSTEMS DESIGN SERVICES   | \$122,983.50   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$122,983.50                | 0.62%                     |
| COMPUTER TRAINING  | \$0.00         | \$42,249.57    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$42,249.57    | \$42,249.57                 | 0.21%                     |
| CONVENTION AND TRADE SHOW ORGANIZERS   | \$40,553.88    | \$0.00         | \$0.00         | \$23,496.65 | \$0.00 | \$0.00      | \$23,496.65    | \$64,050.53                 | 0.32%                     |
| CUSTOM COMPUTER PROGRAMMING SERVICES   | \$137,018.54   | \$30,328.10    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$30,328.10    | \$167,346.64                | 0.84%                     |
| EDUCATIONAL SUPPORT SERVICES   | \$45,000.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$45,000.00                 | 0.23%                     |
| ELECTRONIC COMPUTER MANUFACTURING  | \$0.00         | \$642,792.73   | \$330,609.78   | \$0.00      | \$0.00 | \$0.00      | \$973,402.51   | \$973,402.51                | 4.90%                     |
| ENGINEERING SERVICES   | \$101,720.69   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$101,720.69                | 0.51%                     |
| FURNITURE STORES   | \$0.00         | \$0.00         | \$0.00         | \$65,629.47 | \$0.00 | \$0.00      | \$65,629.47    | \$65,629.47                 | 0.33%                     |
| HARDWARE STORES  | \$0.00         | \$16,633.76    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$16,633.76    | \$16,633.76                 | 0.08%                     |
| INDUSTRIAL MACHINERY AND EQUIPMENT MERCHANT WHOLESALERS  | \$15,100.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$15,100.00                 | 0.08%                     |
| INSTRUMENT MANUFACTURING FOR MEASURING AND TESTING ELECTRICITY AND ELECTRICAL SIGNALS                                  | \$84,663.85    | \$28,144.52    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$28,144.52    | \$112,808.37                | 0.57%                     |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES | \$170,550.74   | \$118,898.43   | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$118,898.43   | \$289,449.17                | 1.46%                     |
| INTERNET PUBLISHING AND BROADCASTING AND WEB SEARCH PORTALS  | \$24,800.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$24,800.00                 | 0.12%                     |
| MARKETING RESEARCH AND PUBLIC OPINION POLLING  | \$6,000.00     | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$6,000.00                  | 0.03%                     |
| MOTION PICTURE AND VIDEO PRODUCTION  | \$23,000.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$23,000.00                 | 0.12%                     |
| OPTICAL INSTRUMENT AND LENS MANUFACTURING  | \$184,207.00   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$184,207.00                | 0.93%                     |
| OTHER COMMUNICATIONS EQUIPMENT MANUFACTURING   | \$15,850.00    | \$4,323.66     | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$4,323.66     | \$20,173.66                 | 0.10%                     |
| OTHER COMPUTER PERIPHERAL EQUIPMENT MANUFACTURING  | \$7,250.00     | \$5,000.00     | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$5,000.00     | \$12,250.00                 | 0.06%                     |
| OTHER COMPUTER RELATED SERVICES  | \$1,133,463.69 | \$348,386.92   | \$1,325,965.24 | \$5,246.00  | \$0.00 | \$0.00      | \$1,679,598.16 | \$2,813,061.85              | 14.15%                    |
| OTHER ELECTRONIC AND PRECISION EQUIPMENT REPAIR AND MAINTENANCE  | \$47,100.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$47,100.00                 | 0.24%                     |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING   | \$292,347.00   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$292,347.00                | 1.47%                     |
| OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES   | \$70,000.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$70,000.00                 | 0.35%                     |
| PERIODICAL PUBLISHERS  | \$33,000.00    | \$27,772.86    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$27,772.86    | \$60,772.86                 | 0.31%                     |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING                                  | \$24,628.00    | \$249,440.38   | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$249,440.38   | \$274,068.38                | 1.38%                     |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)                        | \$64,889.00    | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$64,889.00                 | 0.33%                     |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING                | \$228,022.00   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$228,022.00                | 1.15%                     |
| SOFTWARE PUBLISHERS  | \$261,439.00   | \$62,939.78    | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$62,939.78    | \$324,378.78                | 1.63%                     |
| TELEPHONE APPARATUS MANUFACTURING  | \$333,368.00   | \$0.00         | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$0.00         | \$333,368.00                | 1.68%                     |
| TRANSLATION AND INTERPRETATION SERVICES  | \$8,160.00     | \$4,986.99     | \$0.00         | \$0.00      | \$0.00 | \$0.00      | \$4,986.99     | \$13,146.99                 | 0.07%                     |
| TOTAL:   | \$3,755,430.57 | \$1,941,271.57 | \$1,656,575.02 | \$94,372.12 | \$0.00 | \$37,288.00 | \$3,729,506.71 | \$7,484,937.28              | 37.66%                    |

Table 21. NAVBID Model: Contracting Mechanisms for Common NAICS Categories, Spending with Small Businesses

**Analysis:** In 8 NAICS categories, no Open Market purchases were used to award to small business. In 17 NAICS categories, no IDVs were used. In the remaining 12 common NAICS categories, NPS used a mix of Open Market and IDVs. Thus, small businesses were awarded IDV orders in 20 of 37 NAICS categories, and received Open Market awards in 29 categories. The FAS FSS was used in 18 NAICS categories, NASA IDV in just 2 categories, Navy was used in 3 categories, Army was used in 0 categories, and LOC was used in just 1 category. In comparison, as stated above, no Open Market purchases were used in just 6 common large and small business NAICS categories. Likewise, in comparison, no IDVs were used in 7 common NAICS categories. Finally, the mix of Open Market and IDVs was used in 24 common categories. The FAS FSS was used in 19 common NAICS categories, NASA IDV in just 2 categories, Navy was used in 5 common categories, Army was used in 4 common categories, and LOC was used in just 1 common category.

**Finding:** As stated above, both large and small firms have most-favorable contracting mechanisms ensuring their exclusive competitive domination within specific NAICS categories. A buying command should preserve and enhance the use of small business-only contracting mechanisms for each common NAICS category and should immediately discontinue, if possible, the use of contracting mechanisms which exclusively favor large businesses. In addition, a buying command should consider Open Market procurement strategies for those NAICS categories where small businesses only received IDV awards.

## **5. Large Business Sector Advantage over Small Businesses with Open Market Participation**

To examine the advantage derived by large businesses from specific contracting mechanisms within specific NAICS categories, it is necessary to develop dashboards which compare small and large business participation across NAICS categories and contracting mechanisms. In light of data and conclusions reported above in this chapter, three sets of such dashboards are required. The first set is two dashboards examining *large business dominance using both Open Market and IDVs in NAICS categories*

*where small businesses received Open Market awards. There are 14 such NAICS categories out of 37 total common categories.* In the first dashboard, large business work is shown; in the second dashboard, residual small business work.

| NAVBID MODEL: LARGE BUSINESS IDV AND OPEN MARKET WORK WON FROM SMALL BUSINESSES WITH OPEN MARKET WORK                  |              |                             |              |              |            |             |        |                |                             |                                 |                             |
|--|--------------|-----------------------------|--------------|--------------|------------|-------------|--------|----------------|-----------------------------|---------------------------------|-----------------------------|
| NAICS DESCRIPTION  | OPEN MARKET  | Share of Total SAP Spending | FAS          | NASA         | NAVY       | ARMY        | LOC    | IDV Awards     | Share of Total SAP Spending | Total Awards for NAICS Category | Share of Total SAP Spending |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING  | \$34,955.38  | 0.18%                       | \$242,900.51 | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$242,900.51   | 1.22%                       | \$277,855.89                    | 1.40%                       |
| ALL OTHER MISCELLANEOUS ELECTRICAL EQUIPMENT AND COMPONENT   | \$0.00       | 0.00%                       | \$155,697.63 | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$155,697.63   | 0.78%                       | \$155,697.63                    | 0.78%                       |
| BOOK PUBLISHERS  | \$0.00       | 0.00%                       | \$36,110.98  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$36,110.98    | 0.18%                       | \$36,110.98                     | 0.18%                       |
| COMPUTER STORAGE DEVICE MANUFACTURING  | \$0.00       | 0.00%                       | \$0.00       | \$0.00       | \$0.00     | \$4,835.65  | \$0.00 | \$4,835.65     | 0.02%                       | \$4,835.65                      | 0.02%                       |
| EDUCATIONAL SUPPORT SERVICES   | \$25,796.60  | 0.13%                       | \$0.00       | \$0.00       | \$2,648.60 | \$0.00      | \$0.00 | \$2,648.60     | 0.01%                       | \$28,445.20                     | 0.14%                       |
| INSTRUMENT MANUFACTURING FOR MEASURING AND TESTING ELECTRICITY AND ELECTRICAL SIGNALS                                  | \$29,010.29  | 0.15%                       | \$16,814.47  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$16,814.47    | 0.08%                       | \$45,824.76                     | 0.23%                       |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES | \$178,478.00 | 0.90%                       | \$42,878.02  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$42,878.02    | 0.22%                       | \$221,356.02                    | 1.11%                       |
| OTHER COMMUNICATIONS EQUIPMENT MANUFACTURING   | \$0.00       | 0.00%                       | \$24,820.36  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$24,820.36    | 0.12%                       | \$24,820.36                     | 0.12%                       |
| OTHER COMPUTER PERIPHERAL EQUIPMENT MANUFACTURING  | \$0.00       | 0.00%                       | \$0.00       | \$0.00       | \$0.00     | \$4,285.50  | \$0.00 | \$4,285.50     | 0.02%                       | \$4,285.50                      | 0.02%                       |
| OTHER COMPUTER RELATED SERVICES  | \$375,531.86 | 1.89%                       | \$30,403.63  | \$729,559.86 | \$0.00     | \$0.00      | \$0.00 | \$759,963.49   | 3.82%                       | \$1,135,495.35                  | 5.71%                       |
| PERIODICAL PUBLISHERS  | \$3,890.80   | 0.02%                       | \$50,133.80  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$50,133.80    | 0.25%                       | \$54,024.60                     | 0.27%                       |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS  | \$47,641.00  | 0.24%                       | \$12,402.86  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$12,402.86    | 0.06%                       | \$60,043.86                     | 0.30%                       |
| SOFTWARE PUBLISHERS  | \$302,374.57 | 1.52%                       | \$0.00       | \$0.00       | \$4,215.79 | \$60,148.16 | \$0.00 | \$64,363.95    | 0.32%                       | \$366,738.52                    | 1.85%                       |
| TRANSLATION AND INTERPRETATION SERVICES  | \$0.00       | 0.00%                       | \$20,152.00  | \$0.00       | \$0.00     | \$0.00      | \$0.00 | \$20,152.00    | 0.10%                       | \$20,152.00                     | 0.10%                       |
| TOTAL:   | \$997,678.50 | 5.02%                       | \$632,314.26 | \$729,559.86 | \$6,864.39 | \$69,269.31 | \$0.00 | \$1,438,007.82 | 7.24%                       | \$2,435,686.32                  | 12.25%                      |
| IDV PARTICIPATION SUCCESS:   |              |                             | 3.18%        | 3.67%        | 0.03%      | 0.35%       |        |                |                             |                                 |                             |

Table 22. NAVBID Model: Large Business IDV and Open Market Work Won From Small Businesses with Open Market Work

**Analysis:** To obtain work that went to small firms using Open Market awards, large businesses used a mix of IDVs and Open Market awards in 9 NAICS categories for a total of 12.5 percent of all SAT level awards value. In 6 of such common NAICS

categories, large businesses received no Open Market awards; large business IDV awards in those categories amounted to just 1.22 percent. The value of large business Open Market awards was 5.02 percent while the value of IDVs was 7.24 percent (with 6.02 percent for awards in NAICS categories where large firms obtained both IDV and Open Market work).

| NAVBID MODEL: RESIDUAL SMALL BUSINESS WORK (LARGE BUSINESS IDV AND OPEN MARKET WORK WON FROM SMALL BUSINESSES WITH OPEN MARKET WORK) |                |                             |              |                |            |        |        |                |                             |                                 |                             |
|--|----------------|-----------------------------|--------------|----------------|------------|--------|--------|----------------|-----------------------------|---------------------------------|-----------------------------|
| NAICS DESCRIPTION  | OPEN MARKET    | Share of Total SAP Spending | FAS          | NASA           | NAVY       | ARMY   | LOC    | IDV Awards     | Share of Total SAP Spending | Total Awards for NAICS Category | Share of Total SAP Spending |
| ADMINISTRATIVE MANAGEMENT AND GENERAL MANAGEMENT CONSULTING  | \$167,721.00   | 0.84%                       | \$0.00       | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$0.00         | 0.00%                       | \$167,721.00                    | 0.84%                       |
| ALL OTHER MISCELLANEOUS ELECTRICAL EQUIPMENT AND COMPONENT   | \$77,057.00    | 0.39%                       | \$25,890.10  | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$25,890.10    | 0.13%                       | \$102,947.10                    | 0.52%                       |
| BOOK PUBLISHERS  | \$6,308.76     | 0.03%                       | \$57,414.92  | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$57,414.92    | 0.29%                       | \$63,723.68                     | 0.32%                       |
| COMPUTER STORAGE DEVICE MANUFACTURING  | \$21,668.92    | 0.11%                       | \$0.00       | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$0.00         | 0.00%                       | \$21,668.92                     | 0.11%                       |
| EDUCATIONAL SUPPORT SERVICES   | \$45,000.00    | 0.23%                       | \$0.00       | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$0.00         | 0.00%                       | \$45,000.00                     | 0.23%                       |
| INSTRUMENT MANUFACTURING FOR MEASURING AND TESTING ELECTRICITY AND ELECTRICAL SIGNALS  | \$84,663.85    | 0.43%                       | \$28,144.52  | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$28,144.52    | 0.14%                       | \$112,808.37                    | 0.57%                       |
| INSTRUMENTS AND RELATED PRODUCTS MANUFACTURING FOR MEASURING, DISPLAYING, AND CONTROLLING INDUSTRIAL PROCESS VARIABLES               | \$170,550.74   | 0.86%                       | \$118,898.43 | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$118,898.43   | 0.60%                       | \$289,449.17                    | 1.46%                       |
| OTHER COMMUNICATIONS EQUIPMENT MANUFACTURING   | \$15,850.00    | 0.08%                       | \$4,323.66   | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$4,323.66     | 0.02%                       | \$20,173.66                     | 0.10%                       |
| OTHER COMPUTER PERIPHERAL EQUIPMENT MANUFACTURING  | \$7,250.00     | 0.04%                       | \$5,000.00   | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$5,000.00     | 0.03%                       | \$12,250.00                     | 0.06%                       |
| OTHER COMPUTER RELATED SERVICES  | \$1,133,463.69 | 5.70%                       | \$348,386.92 | \$1,325,965.24 | \$5,246.00 | \$0.00 | \$0.00 | \$1,679,598.16 | 8.45%                       | \$2,813,061.85                  | 14.15%                      |
| PERIODICAL PUBLISHERS  | \$33,000.00    | 0.17%                       | \$27,772.86  | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$27,772.86    | 0.14%                       | \$60,772.86                     | 0.31%                       |
| RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS  | \$24,628.00    | 0.12%                       | \$249,440.38 | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$249,440.38   | 1.26%                       | \$274,068.38                    | 1.38%                       |
| SOFTWARE PUBLISHERS  | \$261,439.00   | 1.32%                       | \$62,939.78  | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$62,939.78    | 0.32%                       | \$324,378.78                    | 1.63%                       |
| TRANSLATION AND INTERPRETATION SERVICES  | \$8,160.00     | 0.04%                       | \$4,986.99   | \$0.00         | \$0.00     | \$0.00 | \$0.00 | \$4,986.99     | 0.03%                       | \$13,146.99                     | 0.07%                       |
| TOTAL:   | \$2,056,760.96 | 10.35%                      | \$933,198.56 | \$1,325,965.24 | \$5,246.00 | \$0.00 | \$0.00 | \$2,264,409.80 | 11.39%                      | \$4,321,170.76                  | 21.74%                      |
| IDV PARTICIPATION SUCCESS:   |                |                             | 4.70%        | 6.67%          | 0.03%      | 0.00%  | 0.00%  |                |                             |                                 |                             |

Table 23. NAVBID Model: Residual Small Business Work (Large Business IDV and Open Market Work Won from Small Businesses with Open Market Work)



**Analysis:** In NAICS categories where small businesses received Open Market awards, the value of small business Open Market awards was 10.35 percent of total SAT level awards while the value of IDV awards was slightly higher, 11.39 percent. The total worth of residual small business work was 21.74 percent. Only in 3 NAICS categories did small businesses receive no IDV awards, with spending amounting to 1.18 percent. Mostly, small businesses received a mix of IDV and Open Market awards.

**Finding:** When a buying command sourced NAICS categories across a mix of Open Market and IDV contracting mechanisms, small businesses have approximately a 2-1 competitive advantage. However, the majority of large business competition to small businesses comes from large business IDV awards. *To increase small business participation, a buying command should devise small business sourcing strategies consisting of both IDVs and Open Market mechanisms, while also seeking to avoid buying from large businesses on IDVs.*

#### **6. Large Business Sector Advantage over Small Businesses without Open Market Participation**

The second set is two dashboards examining *large business dominance over small businesses in NAICS categories without small business Open Market awards. There are 8 such NAICS categories out of 37 total common categories.* In the first dashboard, large business work is shown; in the second dashboard, residual small business work.

| NAVBID MODEL: LARGE BUSINESS WORK WON FROM SMALL BUSINESSES WITHOUT OPEN MARKET WORK |             |                             |              |                |              |             |              |                |                             |                        |                    |
|--|-------------|-----------------------------|--------------|----------------|--------------|-------------|--------------|----------------|-----------------------------|------------------------|--------------------|
| NAICS DESCRIPTION  | OPEN MARKET | Share of Total SAP Spending | FAS          | NASA           | NAVY         | ARMY        | LOC          | IDV Awards     | Share of Total SAP Spending | Total Awards for NAICS | Share of Total SAP |
| ALL OTHER INFORMATION SERVICES   | \$15,435.00 | 0.08%                       | \$0.00       | \$0.00         | \$0.00       | \$0.00      | \$477,270.57 | \$477,270.57   | 2.40%                       | \$492,705.57           | 2.48%              |
| BOOKS PRINTING   | \$0.00      | 0.00%                       | \$12,665.87  | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$12,665.87    | 0.06%                       | \$12,665.87            | 0.06%              |
| COMPUTER AND OFFICE MACHINE REPAIR AND MAINTENANCE                                   | \$0.00      | 0.00%                       | \$10,489.26  | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$10,489.26    | 0.05%                       | \$10,489.26            | 0.05%              |
| COMPUTER TRAINING  | \$32,162.00 | 0.16%                       | \$3,519.00   | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$3,519.00     | 0.02%                       | \$35,681.00            | 0.18%              |
| ELECTRONIC COMPUTER MANUFACTURING  | \$0.00      | 0.00%                       | \$47,202.54  | \$1,414,753.37 | \$0.00       | \$23,150.76 | \$0.00       | \$1,485,106.67 | 7.47%                       | \$1,485,106.67         | 7.47%              |
| COMPUTER AND SOFTWARE STORES   | \$0.00      | 0.00%                       | \$447,320.91 | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$447,320.91   | 2.25%                       | \$447,320.91           | 2.25%              |
| FURNITURE STORES   | \$0.00      | 0.00%                       | \$0.00       | \$0.00         | \$140,885.55 | \$0.00      | \$0.00       | \$140,885.55   | 0.71%                       | \$140,885.55           | 0.71%              |
| HARDWARE STORES  | \$0.00      | 0.00%                       | \$26,605.32  | \$0.00         | \$0.00       | \$0.00      | \$0.00       | \$26,605.32    | 0.13%                       | \$26,605.32            | 0.13%              |
| TOTAL:   | \$47,597.00 | 0.24%                       | \$547,802.90 | \$1,414,753.37 | \$140,885.55 | \$23,150.76 | \$477,270.57 | \$2,603,863.15 | 13.10%                      | \$2,651,460.15         | 13.34%             |
| IDV PARTICIPATION SUCCESS:   |             |                             | 2.76%        | 7.12%          | 0.71%        | 0.12%       | 2.40%        |                |                             |                        |                    |

Table 24. NAVBID Model: Large Business Work Won from Small Businesses Without Open Market Work

**Analysis:** Small businesses received only IDV orders, without any Open Market awards, in 8 NAICS categories. To obtain work in these NAICS categories, large businesses used IDVs and Open Market awards for a total of 13.34 percent of all SAT level awards value. In 6 of such common NAICS categories, large businesses received no Open Market awards at all; in the remaining 2 NAICS categories, large business IDV awards amounted to just 0.24 percent of total SAT level awards.

| RESIDUAL SMALL BUSINESS WORK (LARGE BUSINESS WORK WON FROM SMALL BUSINESSES WITHOUT OPEN MARKET WORK) |             |                    |              |              |             |        |             |                |                    |                        |                    |
|---|-------------|--------------------|--------------|--------------|-------------|--------|-------------|----------------|--------------------|------------------------|--------------------|
| NAICS DESCRIPTION   | OPEN MARKET | Share of Total SAP | FAS          | NASA         | NAVY        | ARMY   | LOC         | IDV Awards     | Share of Total SAP | Total Awards for NAICS | Share of Total SAP |
| ALL OTHER INFORMATION SERVICES  | \$0.00      | 0.00%              | \$0.00       | \$0.00       | \$0.00      | \$0.00 | \$37,288.00 | \$37,288.00    | 0.19%              | \$37,288.00            | 0.19%              |
| BOOKS PRINTING  | \$0.00      | 0.00%              | \$3,770.28   | \$0.00       | \$0.00      | \$0.00 | \$0.00      | \$3,770.28     | 0.02%              | \$3,770.28             | 0.02%              |
| COMPUTER AND OFFICE MACHINE REPAIR AND MAINTENANCE  | \$0.00      | 0.00%              | \$76,615.38  | \$0.00       | \$0.00      | \$0.00 | \$0.00      | \$76,615.38    | 0.39%              | \$76,615.38            | 0.39%              |
| COMPUTER TRAINING   | \$0.00      | 0.00%              | \$42,249.57  | \$0.00       | \$0.00      | \$0.00 | \$0.00      | \$42,249.57    | 0.21%              | \$42,249.57            | 0.21%              |
| ELECTRONIC COMPUTER MANUFACTURING   | \$0.00      | 0.00%              | \$642,792.73 | \$330,609.78 | \$0.00      | \$0.00 | \$0.00      | \$973,402.51   | 4.90%              | \$973,402.51           | 4.90%              |
| COMPUTER AND SOFTWARE STORES  | \$0.00      | 0.00%              | \$195,683.19 | \$0.00       | \$0.00      | \$0.00 | \$0.00      | \$195,683.19   | 0.98%              | \$195,683.19           | 0.98%              |
| FURNITURE STORES  | \$0.00      | 0.00%              | \$0.00       | \$0.00       | \$65,629.47 | \$0.00 | \$0.00      | \$65,629.47    | 0.33%              | \$65,629.47            | 0.33%              |
| HARDWARE STORES   | \$0.00      | 0.00%              | \$16,633.76  | \$0.00       | \$0.00      | \$0.00 | \$0.00      | \$16,633.76    | 0.08%              | \$16,633.76            | 0.08%              |
| TOTAL:  | \$0.00      | 0.00%              | \$977,744.91 | \$330,609.78 | \$65,629.47 | \$0.00 | \$37,288.00 | \$1,411,272.16 | 7.10%              | \$1,411,272.16         | 7.10%              |
| IDV PARTICIPATION SUCCESS:  |             |                    | 4.92%        | 1.66%        | 0.33%       | 0.00%  | 0.19%       |                |                    |                        |                    |

Table 25. Residual Small Business Work (Large Business Work Won from Small Businesses Without Open Market Work)

**Analysis:** Small businesses received only IDV orders, without any Open Market awards, in 8 NAICS categories. Those awards amounted to 7.1 percent of the total SAT level awards. Most of this small business spending was awarded under the FAS FSS with 4.92 percent of total SAT level spending. NASA IDV was next highest with 1.66 percent, Navy IDV with 0.33 percent, and the LOC IDV with 0.19 percent of total SAT level spending value. Small firms received nothing from the Army IDV.

**Finding:** When a buying command sources its requirements from both large and small businesses across whole NAICS categories only through IDVs, large businesses have a distinct 2-to-1 competitive advantage over small businesses. *If buying commands want to increase small business participation, they must require their buyers to source at least some of their requirements from the Open Market in every NAICS category.*

**7. Large Business Sector Advantage in Open Market-Only Procurements, Without Large Business IDV Participation**

The third set is two dashboards examining *large business dominance over small businesses in NAICS categories where large businesses received only Open Market awards, without any large business IDV awards. There are 16 such NAICS categories out of 37 total common categories.* In the first dashboard, large business work is shown; in the second dashboard, residual small business work.

| NAVBID MODEL: LARGE BUSINESSES WINNING OPEN MARKET AWARDS IN NAICS WITHOUT LARGE BUSINESS IDV PRESENCE      |                       |                             |
|---|-----------------------|-----------------------------|
| NAICS DESCRIPTION   | OPEN MARKET           | Share of Total SAP Spending |
| COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT (EXCEPT AUTOMOTIVE AND ELECTRONIC) REPAIR AND MAINTENANCE | \$116,000.24          | 0.58%                       |
| COMPUTER SYSTEMS DESIGN SERVICES  | \$3,897.00            | 0.02%                       |
| CONVENTION AND TRADE SHOW ORGANIZERS  | \$100,450.00          | 0.51%                       |
| CUSTOM COMPUTER PROGRAMMING SERVICES  | \$12,845.91           | 0.06%                       |
| ENGINEERING SERVICES  | \$129,119.96          | 0.65%                       |
| INDUSTRIAL MACHINERY AND EQUIPMENT MERCHANT WHOLESALERS   | \$856.00              | 0.00%                       |
| INTERNET PUBLISHING AND BROADCASTING AND WEB SEARCH PORTALS   | \$21,178.84           | 0.11%                       |
| MARKETING RESEARCH AND PUBLIC OPINION POLLING   | \$8,000.00            | 0.04%                       |
| MOTION PICTURE AND VIDEO PRODUCTION   | \$43,750.00           | 0.22%                       |
| OPTICAL INSTRUMENT AND LENS MANUFACTURING   | \$5,540.21            | 0.03%                       |
| OTHER ELECTRONIC AND PRECISION EQUIPMENT REPAIR AND MAINTENANCE   | \$29,464.41           | 0.15%                       |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING  | \$38,658.37           | 0.19%                       |
| OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES  | \$13,166.87           | 0.07%                       |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)             | \$496,789.79          | 2.50%                       |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING     | \$253,006.72          | 1.27%                       |
| TELEPHONE APPARATUS MANUFACTURING   | \$63,879.33           | 0.32%                       |
| <b>TOTAL:</b>   | <b>\$1,336,603.65</b> | <b>6.72%</b>                |

Table 26. NAVBID Model: Large Businesses Winning Open Market Awards in NAICS

## Without Large Business IDV Presence

**Analysis:** Large businesses received only Open Market awards in 16 NAICS categories. This work accounted for just 6.72 percent of total SAT level spending. R&D in the Physical, Engineering, and Life Sciences (except Biotechnology) was the leading NAICS category for large business Open Market spending, at 2.5 percent of total SAT level spending.

| NAVBID MODEL: RESIDUAL SMALL BUSINESS WORK (LARGE BUSINESSES WINNING OPEN MARKET AWARDS IN NAICS WITHOUT LARGE BUSINESS IDV PRESENCE) |                                     |                             |             |                             |             |                             |                                 |                             |
|---|-------------------------------------|-----------------------------|-------------|-----------------------------|-------------|-----------------------------|---------------------------------|-----------------------------|
| NAICS DESCRIPTION   | OPEN MARKET                         | Share of Total SAP Spending | FAS         | Share of Total SAP Spending | NAVY        | Share of Total SAP Spending | Total Awards for NAICS Category | Share of Total SAP Spending |
| COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT (EXCEPT AUTOMOTIVE AND ELECTRONIC) REPAIR AND MAINTENANCE                           | \$7,560.00                          | 0.04%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$7,560.00                      | 0.04%                       |
| COMPUTER SYSTEMS DESIGN SERVICES  | \$122,983.50                        | 0.62%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$122,983.50                    | 0.62%                       |
| CONVENTION AND TRADE SHOW ORGANIZERS  | \$40,553.88                         | 0.20%                       | \$0.00      | 0.00%                       | \$23,496.65 | 0.12%                       | \$64,050.53                     | 0.32%                       |
| CUSTOM COMPUTER PROGRAMMING SERVICES  | \$137,018.54                        | 0.69%                       | \$30,328.10 | 0.15%                       | \$0.00      | 0.00%                       | \$167,346.64                    | 0.84%                       |
| ENGINEERING SERVICES  | \$101,720.69                        | 0.51%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$101,720.69                    | 0.51%                       |
| INDUSTRIAL MACHINERY AND EQUIPMENT MERCHANT WHOLESALERS   | \$15,100.00                         | 0.08%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$15,100.00                     | 0.08%                       |
| INTERNET PUBLISHING AND BROADCASTING AND WEB SEARCH PORTALS   | \$24,800.00                         | 0.12%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$24,800.00                     | 0.12%                       |
| MARKETING RESEARCH AND PUBLIC OPINION POLLING   | \$6,000.00                          | 0.03%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$6,000.00                      | 0.03%                       |
| MOTION PICTURE AND VIDEO PRODUCTION   | \$23,000.00                         | 0.12%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$23,000.00                     | 0.12%                       |
| OPTICAL INSTRUMENT AND LENS MANUFACTURING   | \$184,207.00                        | 0.93%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$184,207.00                    | 0.93%                       |
| OTHER ELECTRONIC AND PRECISION EQUIPMENT REPAIR AND MAINTENANCE   | \$47,100.00                         | 0.24%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$47,100.00                     | 0.24%                       |
| OTHER MEASURING AND CONTROLLING DEVICE MANUFACTURING  | \$292,347.00                        | 1.47%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$292,347.00                    | 1.47%                       |
| OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES  | \$70,000.00                         | 0.35%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$70,000.00                     | 0.35%                       |
| RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)                                       | \$64,889.00                         | 0.33%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$64,889.00                     | 0.33%                       |
| SEARCH, DETECTION, NAVIGATION, GUIDANCE, AERONAUTICAL, AND NAUTICAL SYSTEM AND INSTRUMENT MANUFACTURING                               | \$228,022.00                        | 1.15%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$228,022.00                    | 1.15%                       |
| TELEPHONE APPARATUS MANUFACTURING   | \$333,368.00                        | 1.68%                       | \$0.00      | 0.00%                       | \$0.00      | 0.00%                       | \$333,368.00                    | 1.68%                       |
| TOTAL:  | \$1,698,669.61                      | 8.55%                       | \$30,328.10 | 0.15%                       | \$23,496.65 | 0.12%                       | \$1,752,494.36                  | 8.82%                       |
| IDV PARTICIPATION SUCCESS:  | ARMY, LOC, NASA IDV AWARDS = \$0.00 |                             |             |                             |             |                             |                                 |                             |

Table 27. NAVBID Model: Residual Small Business Work (Large Businesses Winning

#### Open Market Awards in NAICS Without Large Business IDV Presence)

**Analysis:** Small businesses received 8.82 percent of total SAT level spending in NAICS categories where large businesses received only Open Market awards. Since only 0.27 percent of this work was received from IDVs, the Navy and the FAS FSS IDVs, virtually all of this small business spending was on the Open Market as well.

**Finding:** *When a buying command sources requirements across the whole NAICS category from both large and small businesses only on the Open Market, small businesses have a slight overall competitive edge. To increase small business participation, buying commands should be able to set aside all common NAICS Open Market categories.*

### 8. Conclusion

The promise of the NAVBID model is a potential 33 percent increase in small business spending (as well as a 70 percent small business set-aside record) through smarter use of the mandatory SBR authority under the FASA and the discretionary SBR authority under the Small Business Jobs Act.

The NAVBID dashboards provide a buying command with ready identification of barriers to greater small business participation in procurements within NAICS categories where both large and small businesses already received awards. *In sum, those barriers are:*

*(1) inconsistency in procurement sourcing strategies at the buying command level for requirements within the same NAICS categories; and*

*(2) large business advantage over small businesses in IDVs for SAP level awards.*

Information from the NAVBID dashboards enables the buying command to identify the NAICS categories commonly sourced from large as well as small businesses. Further, this information enables the buying command to optimize its mix of contracting mechanisms for each NAICS category, as well as a mix of mandatory SBR in the Open Market and discretionary SBRs on IDVs.

Specifically, in the 8 NAICS categories with small business IDV awards only and without small business Open Market awards, the buying command should require

additional publicity of its IDV buying requirements beyond the IDV portals, and should direct its 1105 Purchasing Agents and 1102 Contracts Specialists to exercise discretionary SBRs. In the 14 NAICS categories, where most spending was a mix of Open Market and IDV procurements, the buying command should reduce the use of IDVs favored by large businesses, provide greater publicity, and implement mandatory as well as discretionary SBRs. In the 16 NAICS categories without large business IDV participation, a buying command may proceed with mandatory SBRs on the Open Market and discretionary SBRs.

Finally, for purposes of outreach, the buying command should transmit the 8 NAICS categories and the 14 NAICS categories mentioned above to the local PTAC for targeted assistance with IDV registrations and qualifications. The NAICS categories with a mix of IDVs and Open Market small business awards should be the top priority for IDV-related outreach.

Thus, the NAVBID Model realizes in practice the self-improvement and smarter buying goals of the *Better Buying Power Initiative* and the DOD/DON OSBP *Strategic Plans*.

## V. COMMAND PROGRAM MATURITY AND GEOGRAPHIC IMPACT OF NPS FUNDED SAT LEVEL PROCUREMENTS

### A. INTRODUCTION

In this chapter the economic impact of NPS SAT level awards are analyzed. The award methods and distribution within the state of California are examined. The environments of San Diego County and Monterey County are compared. This chapter shows the economic impacts of procurement resources on the small and large business vendor pools in local geographic areas.

### B. NATIONWIDE IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS

The FY 2012 SAT FPDS Report provides information on the specific geographical areas where NPS's \$19,874,422.19 SAT dollars are awarded. Figure 14 shows that the distribution of this spending, to a large measure, depends on which contracting method is used by NPS to fulfill its requirements: Open Market or IDVs from the DON, DOA, NASA, LOC, and FAS.

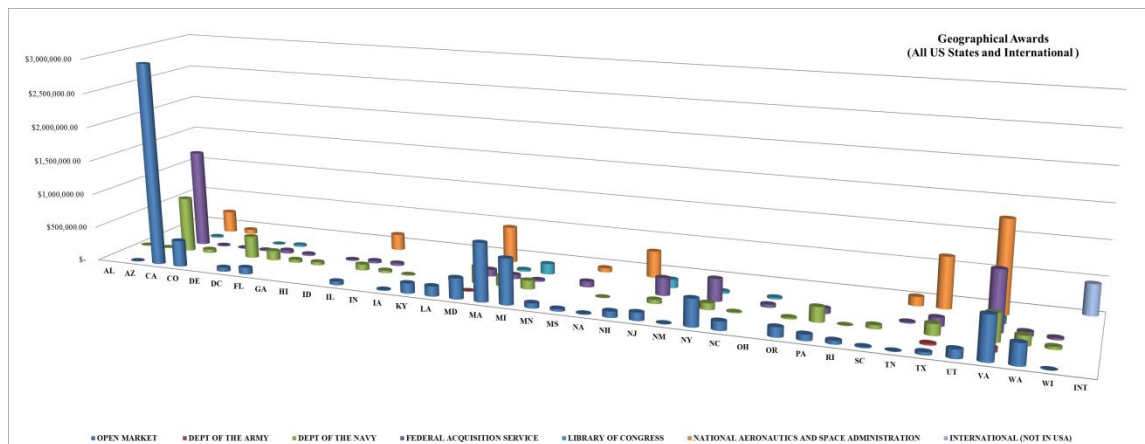


Figure 14. Geographic Distribution of SAT Level Awards

**Analysis.** Figure 14 shows the geographical location of all the vendors receiving NPS SAT level awards. Most of the 50 states received some type of award via the Open Market or IDVs. California and Virginia, home to major awarding FLCs, have the biggest



mix of Open Market and IDV use in awards. Massachusetts and Michigan also benefit, mostly from the NPS SAT level Open Market awards with some economic impact of awards via IDVs. The NASA IDV has an economic impact in the states of Maryland, Virginia, and Texas, and California. Under the FAS IDV, the NPS SAT level awards have an impact in California, New Jersey, New York, Texas, and Virginia.

**Finding.** Fulfilling requirements through FAR Part 13 Open Market purchase orders tends to benefit the state where the buying command is located (in this case, California). On the other hand, fulfilling requirements through IDV task or delivery orders tends to direct SAT level contracting dollars out of state. This relationship holds even where the home state has a very sophisticated defense industry.

### C. STATEWIDE IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS

FY 2012 FPDS data illustrates the relative success of California vendors in obtaining NPS funded SAT level awards.

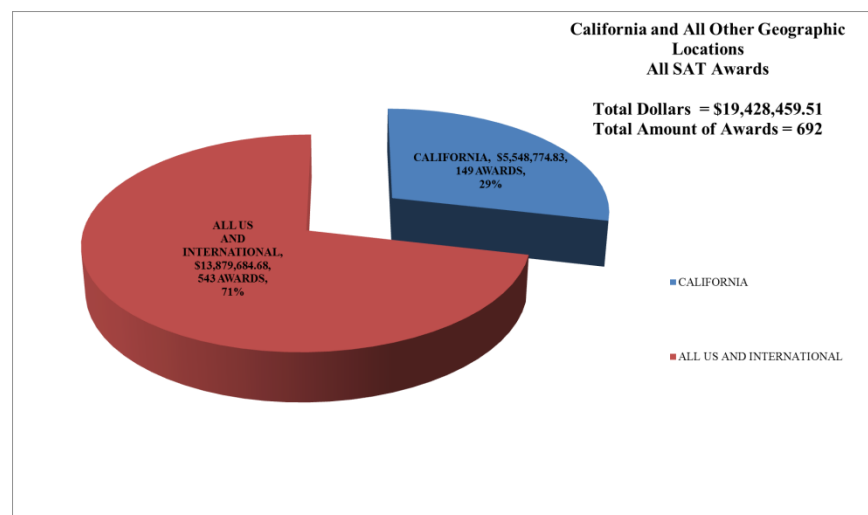


Figure 15. California vs. All Other SAT Level Awards

**Analysis.** Figure 15 shows that 29 percent of the total 692 awards are in the state of California; thus 71 percent of procurement dollars are leaving the state of California.

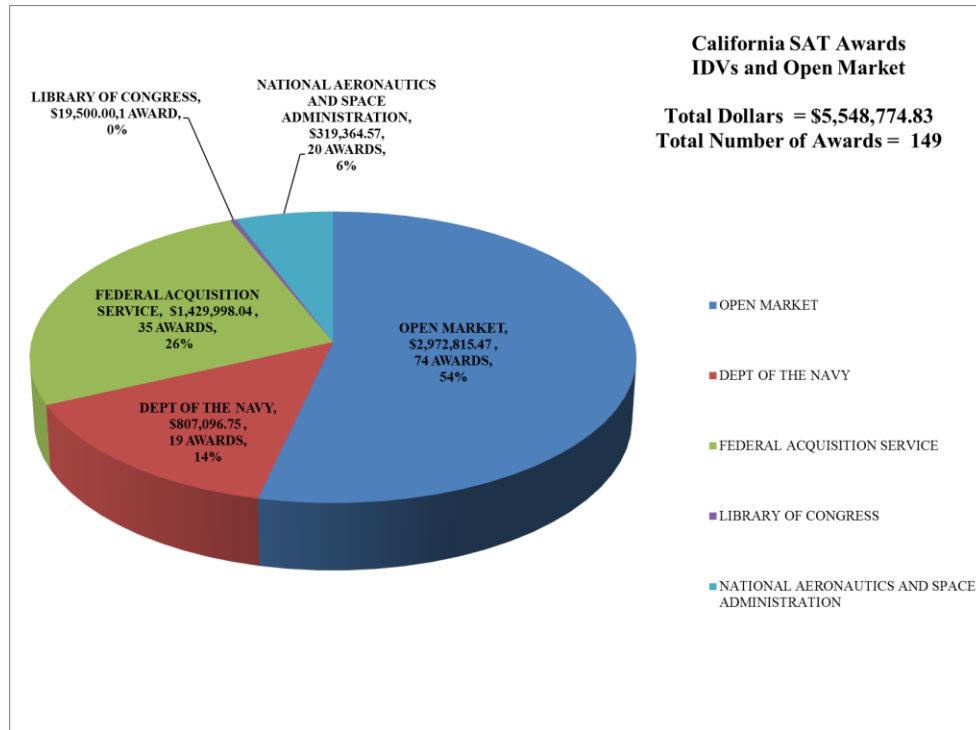


Figure 16. Distribution of California SAT Level Awards: Open Market vs. IDVs

**Analysis.** Figure 16 shows that most of the SAT level requirements are awarded to California vendors in the Open Market, 54 percent. The other 46 percent of California vendor awards are made up of FAS, DON, NASA, and a tiny amount to Library of Congress. Of the IDVs, just more than a quarter, 26 percent, of the vendors are FAS, 14 percent are DON, and NASA makes up six percent. The share to LOC is at zero percent, because the amount (\$19,500) is too small for an assigned percentile.

**Finding.** Figures 15 and 16 show that national and international businesses aggressively respond to and win, SAT level awards despite their low value. California vendors win less than a third of all NPS SAT level awards. However, the chance that California vendors will receive an NPS SAT award in the Open Market is greater than 50 percent. Potential non-traditional Open Market small business suppliers should be targeted to do business with NPS in the SAT level Open Market environment.

**D. LOCAL IMPACT OF CONTRACTING MECHANISMS UTILIZED BY NPS FOR SAT LEVEL AWARDS ON SURROUNDING COUNTIES (MONTEREY, SANTA CRUZ, AND SAN LUIS OBISPO COUNTIES)**

The NPS is located in Monterey County. The neighboring counties of Santa Cruz and San Luis Obispo also receive NPS SAT level awards.

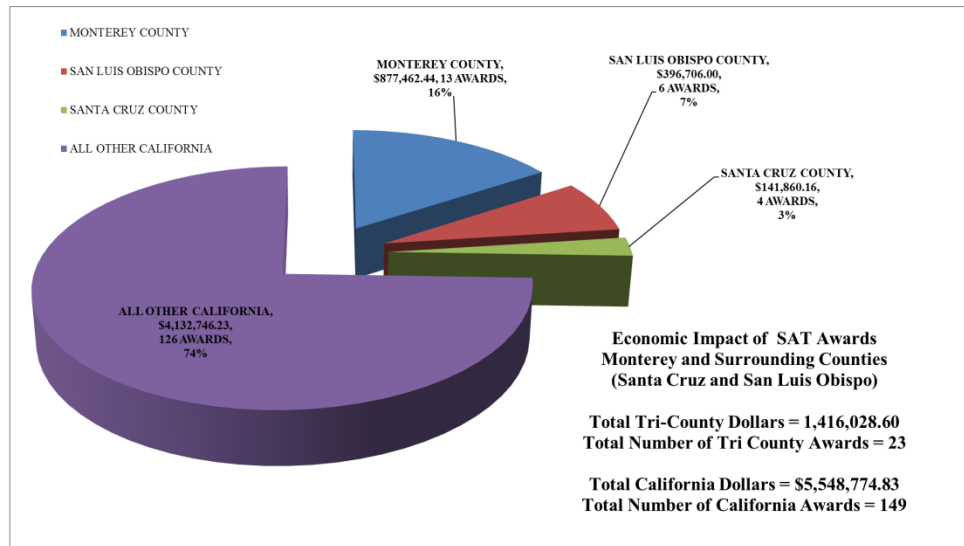


Figure 17. Economic Impact of the Tri-County SAT Level Awards (Monterey, Santa Cruz, and San Luis Obispo Counties)

**Analysis.** Figure 17 shows the amount of awards and SAT level procurement dollars that NPS is spending in the geographic areas adjacent to Monterey. The tri-county region of Monterey County and the two closest counties of San Luis Obispo and Santa Cruz receives about 26 percent (\$5,548,774.83) of all procurement SAT level dollars that NPS spends in California.

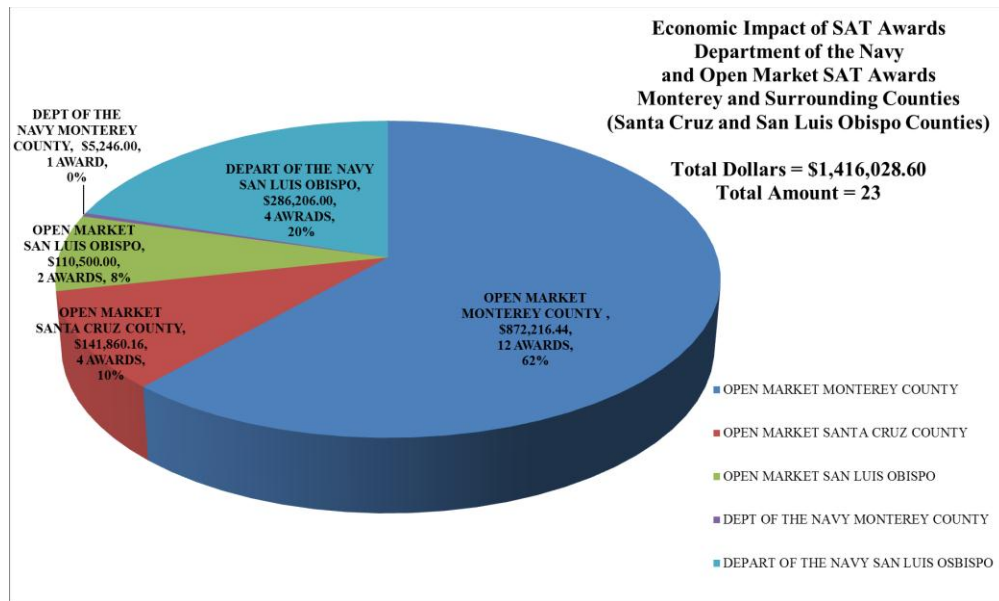


Figure 18. Tri-County SAT Level Awards: Open Market vs. IDVs

**Analysis.** Figure 18 shows that when the tri-county region is examined to see which counties are utilizing the Open Market and DON IDV, the Open Market dominates the NPS SAT awards in Monterey County. Only in San Luis Obispo County are more dollars procured under the DON IDV. Santa Cruz County vendors are utilized only in the Open Market. Monterey County is mostly utilized in the Open Market with few dollars coming from the DON IDV.

**Finding.** Vendors from outside the surrounding counties aggressively respond to, and win, NPS SAT level awards. In contrast, Monterey, Santa Cruz, and San Luis Obispo vendors win less than a fourth of all NPS SAT level awards. Neighboring county vendors have a 20 percent chance of securing orders from any agency's IDVs. Monterey and Santa Cruz vendors seem in dire need of assistance in accessing Federal IDV opportunities. Vendors in nearby counties have about an 80 percent chance for a SAT level award in the Open Market. Potential non-traditional Open Market small business suppliers should set the goal of doing business with NPS in the SAT level Open Market environment.

**E. COMPARATIVE ECONOMIC IMPACT OF NPS FUNDED SAT LEVEL AWARDS: SAN DIEGO COUNTY VS. MONTEREY COUNTY**

The economic impact of San Diego County and Monterey County are compared because of the volume of California NPS SAT level awards that go to San Diego County vendors. The areas are resourced similarly, with both SBA presence and area specific PTACS. In addition, each area does have a federal and local government concentration. However, the method of NPS SAT level awards is very different.

**1. Economic Impact of NPS Funded SAT Level Awards**

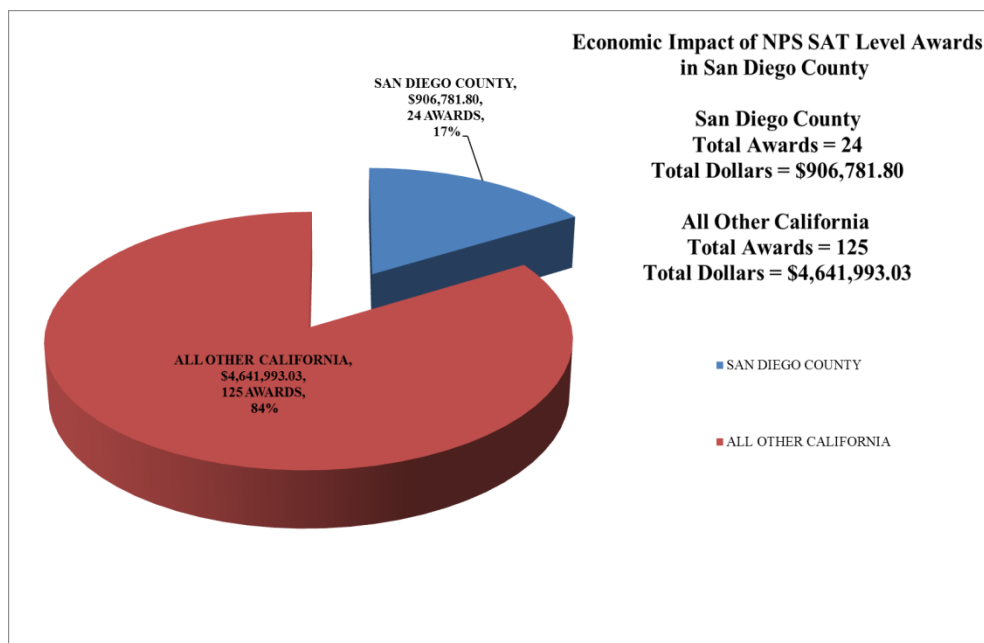


Figure 19. San Diego County NPS SAT Level Awards

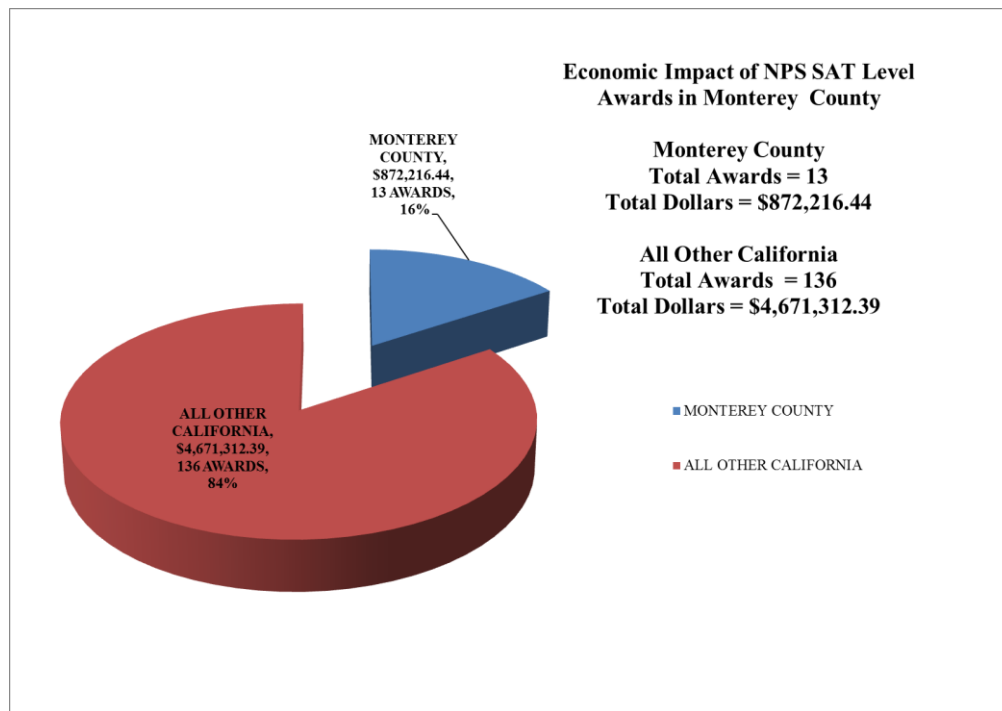


Figure 20. Monterey County NPS SAT Level Awards

**Analysis.** Figures 19 and 20 show that NPS SAT level awards have essentially the same economic impact on San Diego and Monterey Counties despite the 440 miles separating the two locations. The specific difference in percentage is one percent in favor of San Diego (17 percent) over Monterey (16 percent). NPS is committing more SAT level dollars to San Diego County compared with Monterey County in the amount of \$34,565.36, or three percent.

San Diego County received 24 SAT level awards while Monterey County received only 13 of the 149 SAT level awards to vendors in the state of California. San Diego County is receiving almost double the number of NPS SAT level awards. There is an inverse relationship in terms of average SAT level award size: \$37,782.57 for San Diego County vendors versus \$67,093.17 for Monterey County vendors.

**Finding.** *NPS SAT level awards appear to constitute low-hanging fruit for statewide and regional vendors. Although awards to local vendors are larger in average value than awards to statewide and regional vendors, those outside vendors receive awards from NPS twice as often as local vendors.*

## 2. Comparative Review of Contracting Mechanisms (Open Market and IDV) for Monterey- and San Diego-Based NPS Funded SAT Level Awards

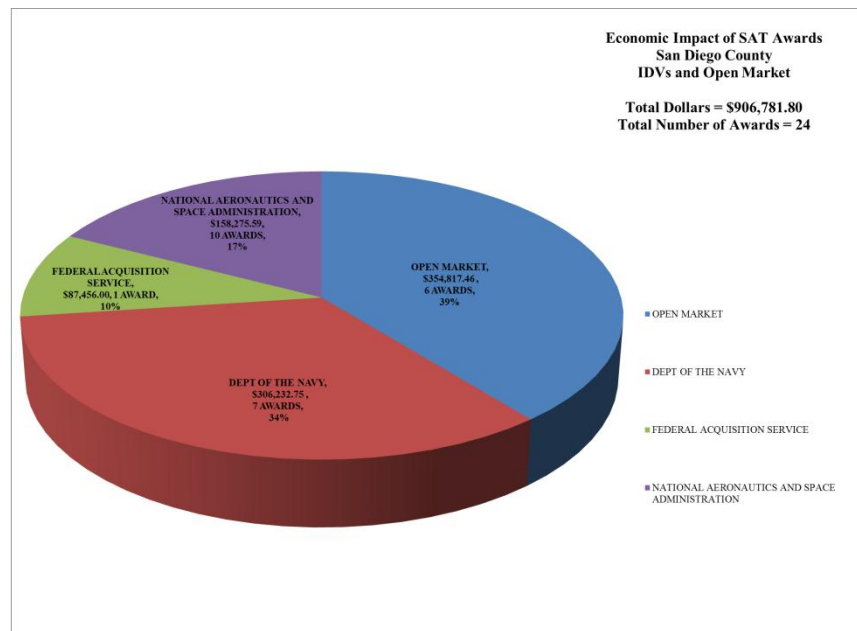


Figure 21. San Diego County SAT Level Awards: IDVs vs. Open Market

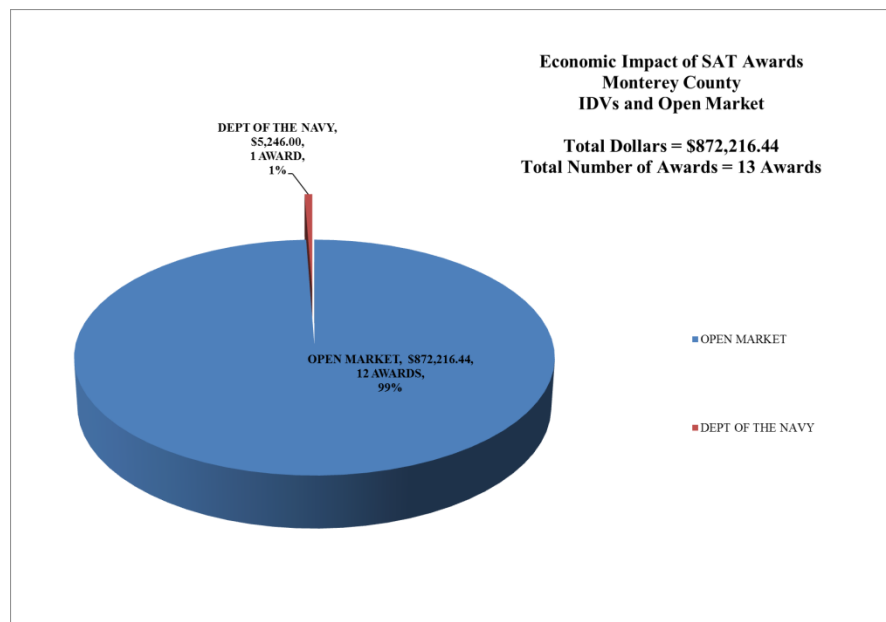


Figure 22. Monterey County SAT Level Awards: IDVs vs. Open Market

**Analysis.** Figures 21 and 22 show that San Diego and Monterey County have a very different mix of SAT level awards in terms of IDV and Open Market utilization. San Diego County vendors received awards under FAS, NASA, and DON IDVs. Indeed, San Diego County vendors received 61 percent of their SAT award volume under these IDVs, or \$551,964.34. Only 39 percent of their award volume was through the Open Market, or \$354,817.46. In Monterey County, local vendors received 99 percent of their NPS SAT level awards, or \$866,970.44 in the Open Market, with just one percent of their awards coming through the DON IDV orders. Monterey County vendors received one award under the DON IDV, while San Diego County vendors received 18 awards on the IDVs of NASA (ten awards), FAS (one award), and DON (seven awards). With regards to Open Market awards, San Diego County vendors received just six awards, while Monterey County vendors received 12.

**Findings.** Monterey County lacks a competitive vendor pool pre-qualified for IDVs that are commonly used by NPS; especially for the IDVs of NASA, FAS, and DON. *Monterey County vendors beat their statewide and regional competitors in the Open Market, but lose in IDV procurements. Because the publicity and eligibility for IDV opportunities are limited exclusively to IDV-prequalified vendors, it is likely that Monterey County vendors are simply unaware of these opportunities.*

*If a local vendor hopes to obtain any NPS SAT awards, the Open Market environment provides the most opportunity in the short run. In the long run, the PTAC must target its support for Monterey County vendors to become prequalified for the IDVs used by NPS.*



### 3. Comparative Participation by Business Size and County in NPS Funded SAT Level Awards

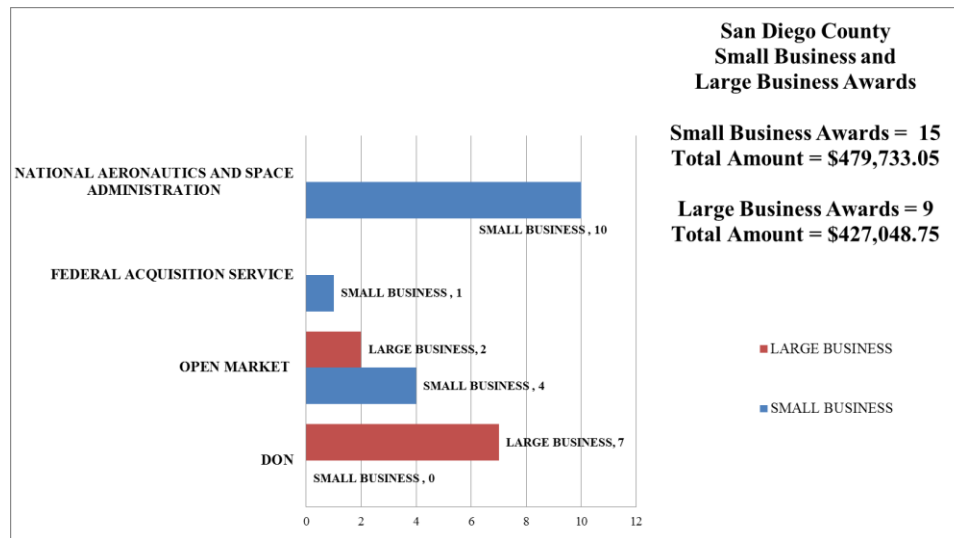


Figure 23. San Diego County SAT Level Awards: Small Business vs. Large Business

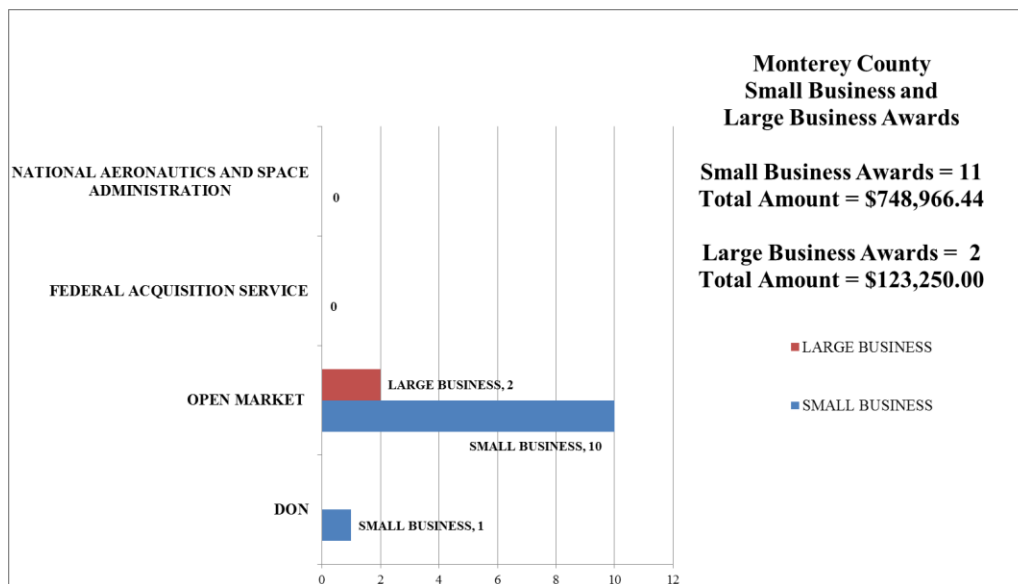


Figure 24. Monterey County SAT Level Awards: Small Business vs. Large Business

**Analysis.** Small businesses dominate Monterey County SAT level awards in frequency and volume, with 11 awards valued at \$748,966.44 going to small business and just two awards valued at \$123,250 going to large business. With regards to contracting

mechanisms, both large business awards were made in the Open Market, while ten small business awards were made in the Open Market and one award was under the DON IDV.

In San Diego County, large businesses received nine awards valued at \$427,048.75, while small businesses received 15 awards valued at \$479,733.05. The majority of large business awards (seven) were made on under the DON IDV, with only two awards in the Open Market. In contrast, the vast majority of small business awards were made under the IDVs from NASA (ten awards) and FAS (one award).

**Findings.** San Diego businesses, both small and large, are more competitive than Monterey County businesses in terms of award frequency. Overall, SAT level awards going outside Monterey County are more likely to result in awards to large businesses. *The dominance of San Diego County large businesses is primarily due to awards on the DON IDV, which tend to favor large statewide and regional vendors over local Monterey County small businesses. The competitive edge of San Diego County small businesses over Monterey County small businesses is largely due to awards under NASA and FAS IDVs.*

*To remedy this situation and carry out the Section 891 outreach mandate, the Monterey Bay PTAC must intentionally focus its services to prequalify Monterey County firms to do business in relevant NAICS categories for NASA, FAS, and DON IDVs. DON OSBP should compare the small business participation rates of DON IDVs with other IDVs available elsewhere in the government.*

#### **4. Industrial Base Supporting Resources of San Diego County vs. Monterey County**

San Diego County has a mature federal environment with 135 federal, state, and local government agencies (PTAC 2013). The NRSW is headquartered in San Diego and the area is also the location of FLC SD and SPAWAR, two major Navy buying commands. The area is saturated with DOD specific agencies and installations. Small business vendor support organizations and advocates are strong and numerous within the county.

Monterey County is also saturated with government agencies, but on a smaller scale. In a recent economic study, the government is listed as one of Monterey County's four economic pillars, specifically the large federal presence and spending on military educational and research installations. Communication between federal agencies, local government, and area businesses should be an area of concentration for improvement (SRI, 2011).

|             | San Diego County  | Monterey County  |
|-------------|---|--|
| <b>PTAC</b> | San Diego Contracting Opportunities Center <ul style="list-style-type: none"> <li>• In existence since 1995</li> <li>• Locally accessible to government installations</li> <li>• 20 sponsors commit support funds matching grant with DLA</li> <li>• Online training</li> </ul>                     | Monterey County Business Council (MCBC) Monterey Bay <ul style="list-style-type: none"> <li>• Inaugural year 2013</li> <li>• Locally accessible to government installations</li> <li>• Sponsored MCBC and City of Salinas to support funds matching grant with DLA</li> <li>• Free face to face seminars</li> </ul>                        |
| <b>SBA</b>  | Located in San Diego <ul style="list-style-type: none"> <li>• Serves San Diego and Imperial Counties</li> <li>• 5 satellite counseling centers</li> <li>• Women's business center and veterans' business program</li> <li>• Service Corp of Retired Executives (SCORE) counseling center</li> </ul> | Located in Fresno <p>approximately 157 miles from Monterey</p> <ul style="list-style-type: none"> <li>• Serves 15 counties</li> <li>• No satellite counseling centers</li> <li>• Women and veterans business programs</li> <li>• SBA cluster initiative</li> <li>• Service Corp of Retired Executives (SCORE) counseling center</li> </ul> |

Table 28. Support Resources: San Diego County vs. Monterey County

**San Diego County**

**Monterey County**

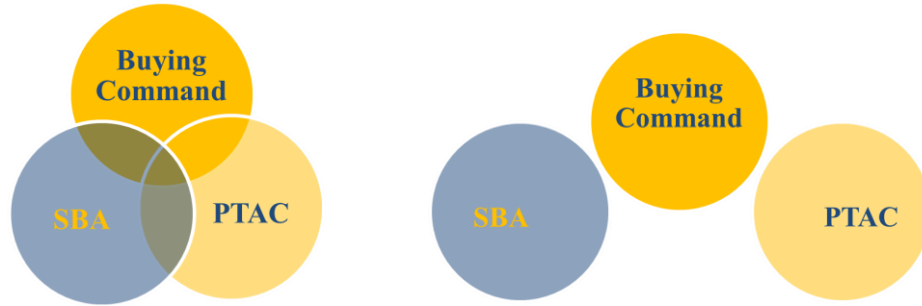


Figure 25. Resource Collaboration Between Small Business Support Entities

**Analysis.** San Diego County and Monterey County have two resources in common for small business support: the SBA and PTAC. Both organizations provide specific support directly to small businesses, although differences in the age of the organizations and size of the geographic areas they serve mean that the organizations are not exactly similar.

Figure 25 portrays the relationship of buying agencies and installations in San Diego County and Monterey County with the small business specific support entities. San Diego County has more collaboration and communication with the SBA and PTAC. Given the physical locations and seasoned relationship of the SBSs and SBPs, PCR, and PTAC Program Managers, in San Diego County support for small businesses and non-traditional suppliers is strong. In Monterey County there is a disjointed support system for small business and non-traditional suppliers. For example, Monterey County is assigned to the SBA Fresno office, over 150 miles away.

**Finding.** The assignment of Monterey County to the SBA district office in Fresno is a detriment because Fresno has relatively few federal and DOD procurement requirements. Both the NPS Contracting Directorate and the Monterey County Business Council, Monterey Bay PTAC just completed their inaugural year of existence in FY 2012, so these entities have the potential to grow together in collaboration and outreach support. *DON OSBP should review the SBA and PTAC coverage of DON buying commands and installations, and realign coverage for closer proximity.*

## **F. MATURE SMALL BUSINESS PROGRAMS AT LOCAL COMMANDS ACROSS NRSW: COMMON THREAD ANALYSIS**

While the NPS FY 2012 SAT data provides installation specific data and information, the survey of the NRSW offers insights on established, thriving small business environments. The buying commands and installations are not the only factor behind the small business success of the NRSW. Small business support elements are a mix of agency OSBPs and dedicated SBP that engage in collaboration and outreach participation with the SBAs and PTACs of the NRSW. In comparison with the NRSW, the NPS SAT level environment is immature and unsophisticated. The common barriers, tools, and best practices identified by professionals in the NRSW that have increased small business awards over time address small business procurements with strong foundational principles. By spotlighting the proven tools for overcoming barriers and mirroring the best practices of the NRSW, the NPS Contracting Directorate can incorporate proven methods in their basic principles for SAT level contracting.

In conducting research for this study, the three main organizations involved in small business support, award, and oversight were interviewed with the approval of the NPS Internal Review Board. The region surveyed is in Southern California: Port Hueneme, Glendale, Riverside, and San Diego. The entities examined are the Navy awarding activities Office of Small Business Programs (OSBP), SBA District Office Procurement Center Representatives (PCR), and PTAC Program Managers (PM).

The Navy commands are selected for their similarities to NPS with regard to procurement, research, complexity of service, and the products needed to carry out the mission of each. All three of the Navy commands use the SeaPorte IDIQ, Global Business Supply (GBS), GSA, and the Open Market in addition to the mandatory FSSI for office suppliers (awarded by FLC SD) and BPA for furniture and installation (awarded by FLC Norfolk). NPS cannot utilize the SeaPorte IDIQ or GBS because these vehicles are not for utilization under the SAT. NPS does also utilize the FSSI for office supply and BPA for furniture (Naval Supply, 2013).

All of the installations examined have the resources of an installation specific Office of Small Business (OSB) Small Business Professional (SBP), a District SBA

office within a reasonable distance, and a PTAC supporting small business vendors as a neutral intermediary. Basic information and mission specific characteristics for each buying command are described below.

**1. Fleet Logistics Center San Diego**

Office of Small Business Program, Director

Location: San Diego, California

- Logistics, Business and Support Services to Fleet, Shore and Industrial Commands
- Procurement, Contracting and Transportation Services
- Technical and Customer Support
- Defense Fuel Products and Worldwide Movement of Personal Property (Naval Supply, 2013)

**2. NAVFAC, Engineering Expeditionary Warfare Center Acquisition (EXWC)**

Office of Small Business Program, Director

Location: Port Hueneme, California

- Research and Development Services and Hardware
- Equipment Prototypes
- Non-Standard and Technically Complex Items
- Anti-Terrorism/Force Protection
- IT Evaluation, Development, Security and Transformation (Naval Facilities, 2013)

**3. Space and Naval Warfare Systems Command**

Office of Small Business Program, Director

Location: San Diego, California

- Engineering Services
- Computer Systems Design Services
- Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument
- Manufacturing
- Other Computer Related Services

- Custom Computer Programming Services
- Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)  
(Space and Naval Warfare Systems Command, 2013)

#### **4. Small Business Administration**

Procurement Representatives

Los Angeles District Office serving Los Angeles, Santa Barbara, and Ventura Counties

Location: Glendale, California

San Diego District Office serving San Diego and Imperial Counties

Location: San Diego, CA

The Small Business Administration supports the Los Angeles and San Diego regions through location specific District Offices of the SBA Pacific Region IX

The District Offices offer the following support for small business.

- Financial assistance for new or existing businesses through guaranteed loans made by area bank and non-bank lenders.
- Free counseling, advice and information on starting, operating and expanding a small business through Service Corps of Retired Executives (SCORE) Counselors to America's Small Business.
- Assistance to businesses owned and controlled by socially and economically disadvantaged individuals through the Minority Enterprise Development Program.
- Women's Business Ownership Representatives to advise women business owners.
- Special loan programs for businesses involved in international trade.
- Veteran's business counseling and information about SBA guaranteed loans.

(Small Business Administration, 2013)

#### **5. Procurement Technical Assistance Center PTAC Program Managers**

Locations: Riverside Community College District PTAC College, Corona, California; San Diego Contracting Opportunities Center, San Diego, California

The primary function of the PTAC is described as

[providing a] bridge between buyer and supplier, bringing to bear their knowledge of both government contracting and the capabilities of contractors to maximize fast, reliable service to our government with

better quality and at lower costs (Association of Procurement Technical Assistance Centers, 2013).

The PTAC is authorized and administered by the DLA under a funds matching grant. The business structure of the PTAC is as follows.

The Procurement Technical Assistance Program (PTAP) was authorized by Congress in 1985 in an effort to expand the number of businesses capable of participating in the Government Marketplace. Administered by the Department of Defense, Defense Logistics Agency (DLA), the program provides matching funds through cooperative agreements with state and local governments and non-profit organizations for the establishment of Procurement Technical Assistance Centers (PTACs) to provide procurement assistance (Association of Procurement Technical Assistance Centers, 2013).

PTACS offer these services

- Determining suitability for contracting
- Securing necessary registrations
- Researching procurement histories
- Networking
- Identifying bid opportunities
- Proposal preparation
- Contract performance issues
- Negotiating and interfacing with the agency
- Developing a cost-accounting system
- Bonding and interim financing
- One-on-one assistance
- Bid matching services
- Federal contractor certification

(Association of Procurement Technical Assistance Centers, 2013)

Table 4 combines the responses of the personnel interviewed on the Navy installations—SBPs, SBA PCRs, and PTAC Program Managers—with regard to their views on small business barriers, tools, and best practices.



| <b>BARRIERS</b><br>Data Responses Similar  | <b>TOOLS</b><br>Data Responses Similar  | <b>BEST PRACTICES</b><br>Data Responses Similar   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Small business (SB) not enough past performance</li> <li>• SB not resourced to turn in quality responses to RFQs and RFPs</li> <li>• IDV award process and required documentation overwhelming for SBs</li> <li>• SAP and micro-purchase not visible</li> <li>* Buying agency short posting times</li> <li>* Acquisitions workforce overwhelmed and need SB training</li> <li>Low attendance at outreach event</li> </ul> | <ul style="list-style-type: none"> <li>• Outreach</li> <li>• SAP/SAT</li> <li>• Collaboration/other agency support</li> <li>• PTAC's one-on-one vendor support</li> <li>• SBA PCR</li> <li>• SB as subcontractors</li> <li>* SB set-asides on MACs</li> <li>* Agency senior leadership support</li> </ul> | <ul style="list-style-type: none"> <li>• SB try for smaller product buys</li> <li>• Agency tasks are under SAT</li> <li>• SBP/PCR relationship with buying command</li> <li>• SB vendor working groups and round table discussions</li> <li>• SB knowing what the buying command buys and how</li> <li>• PTAC builds relationship with buying commands' SBP</li> <li>* Agency training modules</li> <li>* GWPC holders and purchasing agents trained in procedures, policy, and guidance</li> </ul> |

\* Indicates suggestions identified in the literature review.

Table 29. Common Thread Analysis of Mature Small and Local Business Programs

## G. CONCLUSION

As the data above showed, most NPS SAT level awards dollars do not stay within the local area or the state of California. Within California, small businesses have a better

chance of obtaining NPS SAT level awards in the Open Market than requirements solicited under IDVs. From the community relations, local business-centric perspective, the IDV vendors located outside the Monterey County area and outside the state of California could be regarded as picking the low-hanging fruit of NPS SAT level dollars in various procurements with little to no competition from local area vendors. The economic impact on Monterey County and the neighboring counties of Santa Cruz and San Luis Obispo is about a quarter of all the NPS SAT level dollars and awards. While this impact is substantial, nearly 75 percent of the award dollars leave the local area. Clearly, smarter outreach and targeted buying will be required to fulfill the intent of the FY2011 Ike Skelton NDAA § 891 (2011).

***When Monterey County and San Diego County are compared, there is only a one percent difference in the SAT level NPS awards to vendors within the two regions. Thus, Monterey County vendors are highly competitive as far as contract performance is concerned.*** In both regions small businesses prevail over large businesses in terms of SAT level business. While the distribution of dollars is similar, the methods of awards are very different. The elements of the IDV and Open Market vendor pools are where the two regions most differ. San Diego has more vendors under awarded IDVs, while Monterey County only had one award on the DON IDV. Monterey County small businesses and non-traditional suppliers have a more favorable chance of obtaining an NPS SAT level award in the Open Market. The lack of IDV-qualified available suppliers in Monterey County is the possible cause of SAT level dollars leaving the local area. ***It appears that many San Diego-area vendors prevail over the Monterey-area vendors at IDV contracting paperwork. This disparity confirms the significance of mature business advisory support programs.***

San Diego and Monterey County both have the SBA and PTAC as support resources for small businesses and non-traditional suppliers. The San Diego buying command, SBA, and PTAC have a close-knit relationship due to the mature federal procurement environment and seasoned relationships. In contrast, the physical location and demographics of the SBA District Office in the Central Valley city of Fresno means the SBA is not a strong resource for Monterey County small businesses. Monterey

County would be better served under an SBA district office in San Francisco. The opportunity to develop and build a solid relationship with the emerging Monterey Bay PTAC might be one of the best ways to increase small business and non-traditional suppliers for NPS SAT level awards in the Open Market and on IDVs.

*At the SAT level, there exists a demonstrated connection between small and local business contracting. More contracts to local businesses would generally result in more contracts to small businesses, and vice versa. Therefore, DON buying commands, the DON OSBP, and the DLA Procurement Technical Assistance Program should have a strong interest in strong command-level small business programs (SBPs). Those SBPs should mainly be focused on coordinating targeted outreach to prospective small business vendors in the local areas surrounding DON buying commands.*

## **VI. SUMMARY, RECOMMENDATIONS AND CONCLUSION**

### **A. INTRODUCTION**

This chapter provides the answers to the research questions addressed in Introduction Chapter and an overview of the findings of this study. The findings have correlated recommendations for application to buying commands and small business support entities. Of the findings and recommendations the Command Small Business Maximization Model was built to have both applicability and achievability for SAT level specific buying commands small business maximization. This section will conclude by addressing future research topics for small business award maximization.

### **B. ANSWERS TO RESEARCH QUESTIONS**

#### **1. What specific barriers prevent small business and non-traditional suppliers from obtaining DON SAT level contract awards?**

Research in this paper identified several types of barriers. Generally applicable barriers that affect potential SAT level suppliers include:

*(1) the complexity of contracting procedures with three separate contracting mechanisms at the SAT level;*

*(2) national and regional vendors' aggressive pursuit of SAT level orders which represent the low-hanging fruit for large firms experienced in DON contracting;*

*(3) disparity in small business contracting expertise across the 1105 and 1102 workforce series;*

*(4) lack of effective competition resulting in sole sourcing to large firms.*

Barriers specifically applicable at the level of a buying command include:

*(1) lack of small business vendors that could be identified for purposes of meeting the Small Business Reservation (set-aside) Rule of Two;*

*(2) inconsistent use of NAICS and PSC classifications for similar requirements;*

*(3) contracting strategies favoring single offer awards and sole source awards to large firms;*

*(4) favorability of certain IDVs to large firms;*

*(5) insufficient class waiver of the Nonmanufacturer Rule;*

*(6) lack of unified, targeted effort among the buying command, the SBA, and the PTAC to register and counsel prospective small vendors within targeted NAICS and PSC/FSC classifications.*

**2. What specific indicators should be assessed by buying commands seeking to improve their small business performance in SAT level awards?**

To assess achievability of SAT level specific small business goals and improve their small business contracting performance, DON OSBP should direct the buying commands to consider the following 7 factors:

*(1) historical use of mandatory Small Business Reservation and the discretionary Small Business Jobs Act tools by the buying workforce;*

*(2) small business participation rates as well as business size sector domination across groups of NAICS subsectors and PSC portfolios (such as through the NAVUSA model);*

*(3) small business participation and domination in manufacturing, sellers and stores, and services categories (such as through the NAVUSA model);*

*(4) large business market domination over small businesses within specific contracting mechanisms across common and sector-specific NAICS categories small business participation (such as through the NAVBID model);*

*(5) small business participation rates across geographic areas,*

*(6) small business participation across contracting mechanisms such as Open Market, FSS, and other IDVs; and*

*(7) availability and focus of SBA and PTAC resources for targeted business and regulatory counseling for local and non-traditional suppliers so as to meet local buying command requirements within specific NAICS and PSC classifications and contracting mechanisms.*

3. **How should Navy buying commands apply SAT level contracting tools and best practices to overcome barriers to small business participation?**

The NAVBID and NAVUSA models, the models below in this section, and the Chapter II best practice criteria address this above research question.

## **C. SUMMARY FINDINGS AND RECOMMENDATIONS**

1. **SUMMARY FINDING AND RECOMMENDATION: GSA FPDS-NG SIMPLIFIED ACQUISITION REPORT MUST BE CORRECTING**

This current report relied on ad hoc FPDS reporting because of insufficient data information in the standard FPDS Simplified Acquisition Report. *DON OSBP should request the GSA to expand the data capability of the FPDS Simplified Acquisitions standard report to include various criteria such as comparisons between large and small business participation, breakdowns by NAICS and PSC/FSC projects, single offer competitive awards, business sector domination of NAICS and PSC/FSC, aggregate data by NAICS subsectors and PSC portfolios, and comparative advantage of large businesses over small across in various contracting mechanisms.*

2. **SUMMARY FINDING AND RECOMMENDATION: NEED TO ESTABLISH SELF-ASSESSMENT PLANS USING THE NAVUSA AND NAVBID MODELS FROM THIS STUDY, AS WELL AS USING REALISTIC SAT LEVEL SMALL BUSINESS GOALS**

Chapter IV identified the characteristics of SAT level specific awards; the attainability to meet small business goals, and the opportunities for small business SAT level award growth. *Based on these and other Chapter IV criteria set forth in the NAVBID and NAVUSA models, every buying command can establish a base line for realistically obtaining small business goals, small improvements or changes to small*

*business award methodology, and set incremental buying command specific SAT level small business utilization growth plans.*

This self-assessment plan should include the specific analysis of NAICS codes and a broader analysis of the NAICS subsectors historical data of the buying command within the framework of the NAVBID and/or NAVUSA model. In addition, the correlating PSC/FSC codes should be identified. *By identifying the NAICS and/or PSC/FSC classifications met either exclusively by small firms or by small and large firms together, a buying command can identify and prioritize small business growth opportunities.*

*The buying commands historical data should also identify any large business sole source awards under FAR Subpart 6.302 as well as large business single offer competitive awards. The former awards are a constant variable that will affect the feasibility of obtaining the agency set FY small business award dollars goal, while the latter represent opportunities for effective competition in accordance with the Better Buying Power Initiative.* As stated above, Senior Executive Leaders of commands with buying capabilities are subject to the performance evaluation of their command's small business utilization. In a buying commands self-assessment, the command's senior leadership should be assessed taking into account the feasibility of meeting small business goals and informed justification for small business achievements.

**3. SUMMARY FINDING AND RECOMMENDATION: GUIDANCE NECESSARY TO ADDRESS UNINFORMED DISPARITIES IN EXERCISING DISCRETION BY ACQUISITION WORKFORCE UNDER SAT.**

Chapters II and IV identified multiple problems concerning lack of uniformity and lack of information behind the discretion exercised by the buying workforce regarding small business award processes. *This discretion is presently exploited by large businesses, which better understand the buyers' preferred PSCs/FSCs regardless of NAICS.* Currently, wide discretion regarding the SBR and small business set-asides is left to the individual procurement/contracting officials. This individual discretion is shaped by contradictory and vague guidance from various agencies such as the SBA, GAO, and GSA, and may lead to various differences in processing SAT level awards.

*DON OSBP and each buying command should establish cross cutting guidance that sets the guiding principles as well as NAICS and PSC-based criteria for mandatory and discretionary small business set-asides. This guidance should be integrated across the buying commands different government procurement workforce functions, the 1105 and 1102 series, taking into account their differing warrant authorities. Further, these foundational principles can be briefed to the local area PTAC for their support of small businesses and non-traditional suppliers.* Small business vendors will have the element of consistency when working with the buying command, and can develop their own contractor specific internal processes to submit quality technical and price quotes.

*SAT level awards are not simple, and proper training and uniformity in procurement planning, solicitation, and award facilitation will create the specific criteria and principles for all levels of commands buying workforce from the level of a cardholder under GWPC up to the highest level of procurement official at the buying command.*

**4. SUMMARY FINDING AND RECOMMENDATION: NMR WAIVER AND ENFORCEMENT OF PROPER NAICS CODES NECESSARY TO INCREASE SMALL BUSINESS MANUFACTURER PARTICIPATION.**

Chapters II and IV established that manufacturing NAICS codes favor small businesses. However, small business manufacturers and resellers face unique regulatory barriers, such as the use of Sellers and Stores NAICS codes banned by the SBA, insufficient NMR class waiver and the legal precedents encouraging dissolution of manufacturing set-asides.

*DON OSBP should propose a regulatory initiative to the SBA focused on small businesses resellers and manufacturers with the following elements:*

- (1) increasing the \$25,000 NMR class waiver to \$150,000 SAT level, either government-wide or on a command-specific basis;*
- (2) providing for SAM registration of small business resellers as possible manufacturing vendors within the class waiver level;*
- (3) matching specific manufacturing NAICS and PSCs/FSCs;*



*(4) authorizing set-aside solicitations covering entire NAICS subsectors and PSC/FSC portfolios; and*

*(5) requiring agency buyers to reaward all Suppliers and Stores NAICS awards as small business manufacturing awards.*

**5. SUMMARY FINDING AND RECOMMENDATION: EFFECTIVE COMPETITION IS NECESSARY TO ELIMINATE SINGLE OFFER COMPETITIVE SAT LEVEL AWARDS WHICH FAVOR LARGE BUSINESSES.**

As established in Chapter IV, single offer SAT level awards tend to favor large businesses. Further, as indicated above, the Better Buying Power Initiative aims at promoting effective competition.

*Therefore, if the buying command self-assessment reveals a high level of single offer large business SAT level awards, the acquisition workforce should seek to address two reasons for this problem: (1) possible limited competitive vendor pool in the chosen IDV or Open Market; and (2) possible lack of awareness by the Open Market small business vendors concerning the specific classifications of the command's requirements.*

The Buying Command Effective Small Business Competition Model shows the actions that the buying command can take with regards to promoting effective competition.

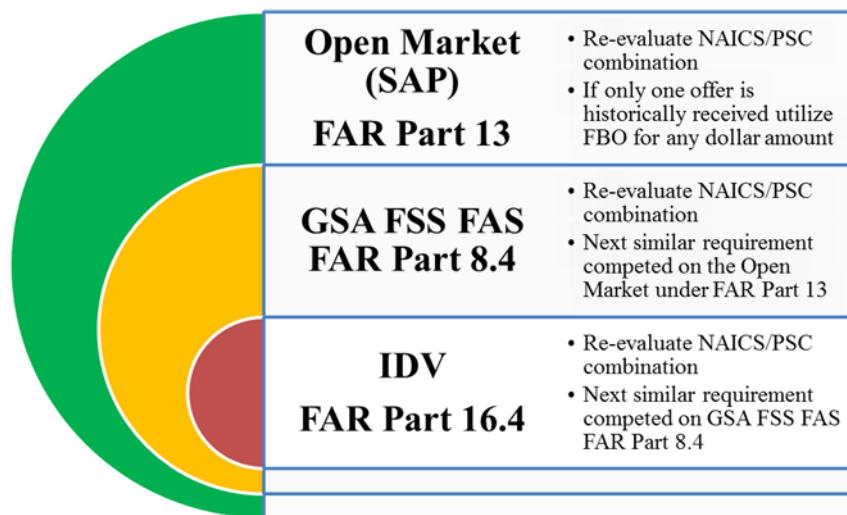


Figure 26. Buying Command Effective Small Business Competition Model

The above model, Figure 26, represents the existing flexibility that a buying command can utilize within the SAT level environment. The different contracting mechanisms provide different, but possibly overlapping, vendor pools of various small and large business suppliers. Upon identifying the correct contacting environment where the most small business vendors are competitively located, the instances of single offer awards to large businesses should decline.

**6. SUMMARY FINDING AND RECOMMENDATION: BUYING COMMANDS MUST REDUCE THE USE OF UNRESTRICTED SOLICITATION TERMS EVEN IF SET-ASIDES ARE NOT FEASIBLE.**

As stated above, current OFPP and DOD guidance gives the acquisition workforce the choice between the SBRs (total set-asides) and unrestricted procurements. Additional options must be provided within the guidance in order to increase small business participation.

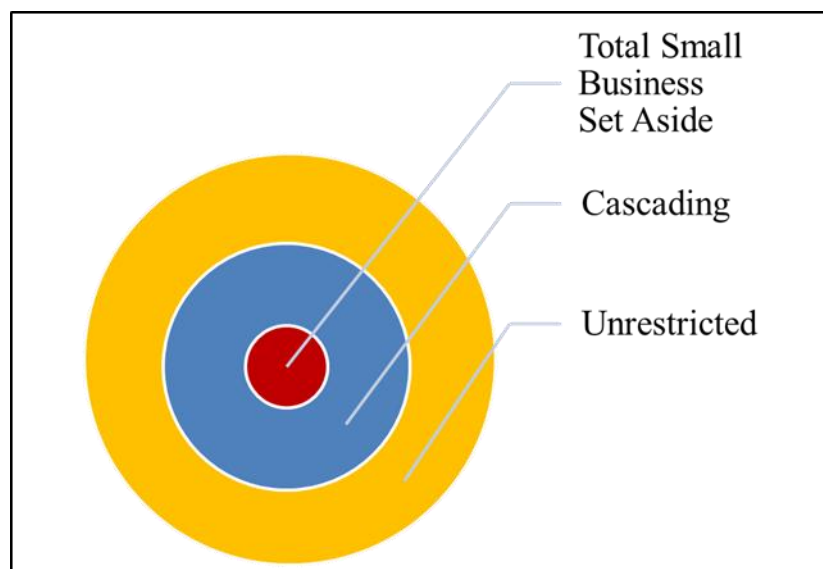


Figure 27. Buying Commands Small Business Requirements Expansion Model  
(Solicitation Methods to Include Cascading/Tiered Evaluation Under DFARS  
215.203–70)

Currently, as a practical matter, the two or more capable small businesses have to be identified to use the SBR in Open Market solicitations regardless of the mandatory nature of the SBRs in Open Market procurements. If the command cannot identify or provide adequate market research, then the procurement/contracting professional posts the requirement solicitation as “unrestricted.” This process is also consistent with the discretionary SBR rules governing set-asides on IDV orders. By incorporating the cascading strategy of DFARS 215.203–70 (2012) into Open Market and IDV requirements as shown in Figure 27, the buying command can allow for technically capable small business to be eligible for award based on the procurement official’s discretionary determination of fair and reasonable pricing. To promote wider use, this model and method should be endorsed by DON OSBP guidance.

**7. SUMMARY FINDING AND RECOMMENDATION: BUYING COMMANDS SHOULD TASK LOCAL PTACS TO TARGET VENDORS IN SPECIFIC CLASSIFICATIONS FOR ACCESSION TO VARIOUS CONTRACTING MECHANISMS.**

The DLA-funded PTACs serving areas where DON installations are located operate largely on first-come, first-served basis. Targeted outreach is required instead.

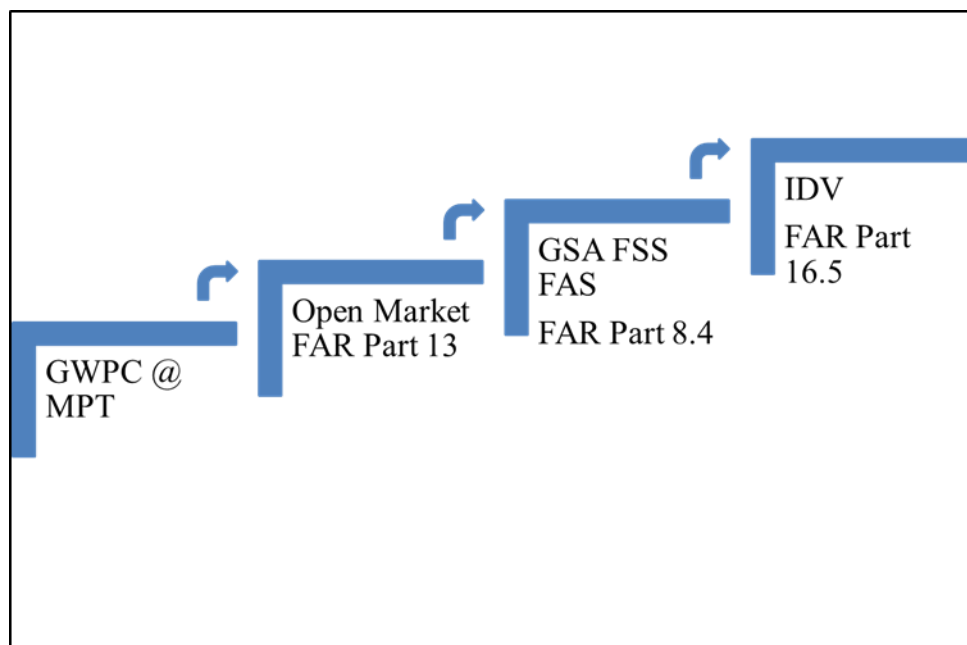


Figure 28. PTAC Vendor Readiness Ascension Model (Steps to Increasing Small Business Vendor Qualifications using NAICS and PSC/FSC Information)

The small business support function of the PTAC should include a targeted small business progression plan. Instead of providing support on a walk-in or call-in basis, a local PTAC and, if needed, SBA, will should be registering and certifying small firms based on the specific industrial sectors where a particular command is deficient in locating small business suppliers. Further, a local PTAC should be focused on qualifying small firms for participation in the Governmentwide Purchase Card Program and in the contracting mechanisms of FAR Parts 13, 8.4, and 16.5 as used by a particular buying command. This recommendation will increase the competitive small business vendor pools for the buying command's SAT level requirements and will allow non-traditional suppliers the opportunity to become a consistent government small business provider.

#### 8. RECOMMENDED PROCESS: BUYING COMMAND SMALL BUSINESS MAXIZATION MODEL

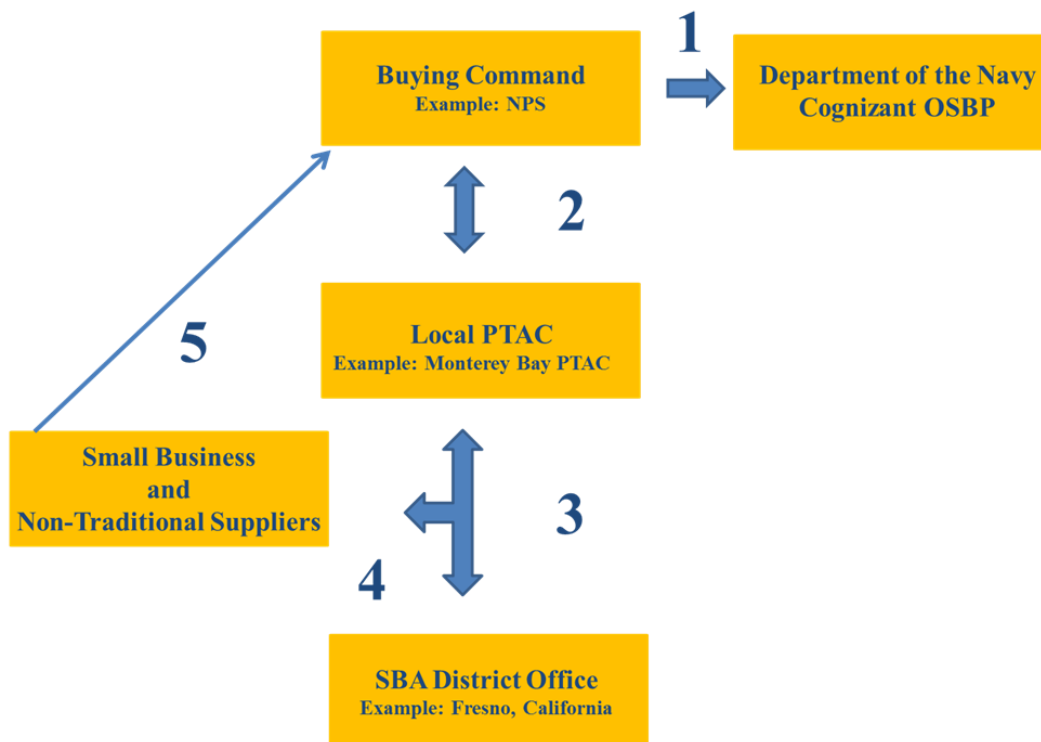


Figure 29. Buying Command Small Business Maximization Model

**Step 1: Buying command targeted self-improvement initiative.** The buying command has a responsibility to inform the cognizant DON OSBP of the command's self-assessment results, realistically achievable goals, and identified areas for additional small business training of the 1105 and the 1102 workforce.

In addition, the NAICS codes/subsectors and PSC codes for the particular buying command should be submitted to the cognizant DON OSBP for use in future sourcing initiatives of the DON.

Separately, upon self-assessment, the buying command can establish cross cutting guidance identifying contracting mechanisms as well as NAICS and PSC combinations that favor small business awards.

In the example of NPS, the NPS Contracting Directorate should have an assessment of obtainable small business goals, small business specific training, and opportunities of future small business award growth opportunities based on the Chapter IV analysis.

**Step 2 and 3: Outreach to SBA and PTAC for targeted support.** The buying command provides buying specific information derived from their self-assessment to the PTAC and SBA regarding SAT level awarding contracting mechanisms utilized, the buying workforce make up, and NAICS and PSC information.

Based on this information, the PTAC and SBA should conduct a focused targeted effort for seeking out and registering potential small business vendors that may be able to provide increased competition for the buying commands SAT level requirements.

In the example of NPS, the Monterey Bay PTAC, and SBA Fresno District Office, the buying command could provide information for the local PTAC and SBA to seek out and tailor small business and non-traditional supplier support. This approach is different than the current situation in which a small business or non-traditional supplier initiates contact with the PTAC and/or SBA.

The relationship between the Monterey County specific small business support entities of the PTAC and SBA has an opportunity to grow with the results to be similar to the San Diego County environment. A possible deterrent is that the SBA District Office in Fresno is geographically removed from the buying command of NPS and also the

Monterey Bay PTAC. Relocating Monterey County under the San Francisco SBA District Office could possibly benefit local small businesses and non-traditional suppliers

**Step 4: Targeted SBA and PTAC assistance.** The PTAC and SBA relationship with the potential small business and non-traditional suppliers will possibly produce a more customized level of support facilitated by the information provided by the area buying commands concerning NAICS and PSC targeting.

The relationship and support of the three entities, namely, small business/non-traditional supplier, PTAC, and SBA, is essential to increasing the number of capable small businesses under the contracting mechanisms utilized by buying commands.

**Step 5: Increase in legally qualified offers.** Small businesses and non-traditional suppliers should be able to submit technically capable responses to buying commands SAT level requirements under various contracting mechanisms.

Potentially, small business competition would increase as large business single offer awards decrease.

In addition, the possibility of identifying vendors to meet the Rule of Two will become more frequent and result in an increase of total small business set-asides in SAT level requirements.

## **9. RECOMMENDED MODEL FOR GUIDING INDIVIDUAL BUYER DISCRETION: NAICS ACCESS VISUALIZATION - BUSINESS OPPORTUNITY SOLUTIONS SEQUENCE (NAVBOSS)**

Based upon all of the above research findings, a buying command may wish to institute a self-improvement process within the legal framework of the mandatory SBR and the SAT level discretion. This process could be based on the NAICS Access Visualization – Business Opportunity Solutions Sequence (NAVBOSS) model set forth below. The SBA regulations concerning the choice of individual NAICS codes would, in some cases, limit the operation of this model.

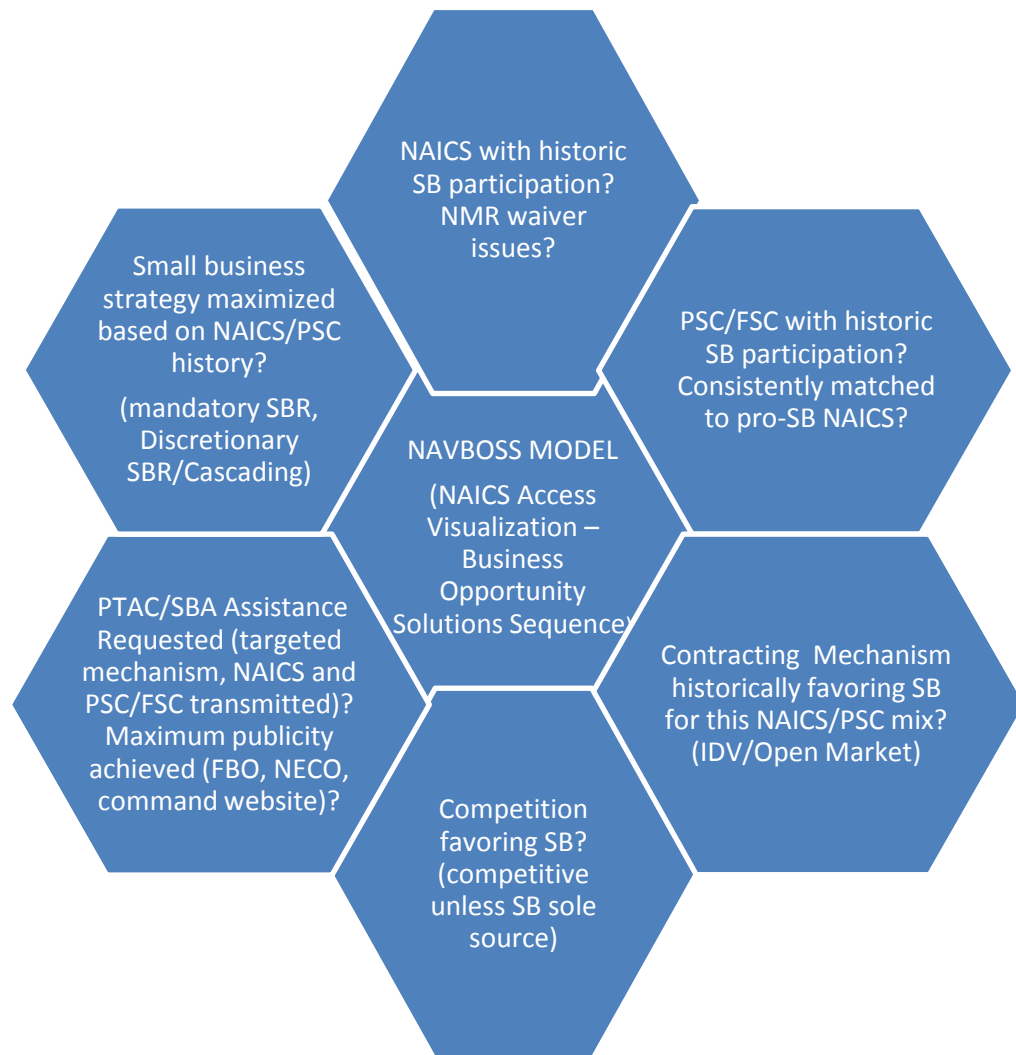


Figure 30. The NAVBOSS Guidance Model for the Command-Level Acquisition Workforce

The NAVBOSS model would remind the acquisition workforce to ask six questions while exercising discretion to: (1) look for NAICS with historic small business participation, and address any NMR waiver issues; (2) look for a matching PSC/FSC; (3) look for a historically pro-small business contracting mechanism; (4) pick the pro-small business competition strategy; (5) seek maximum publicity and paperwork assistance for the industry; and (6) maximize the small business contracting strategy.

#### **D. FUTURE RESEARCH RECOMMENDATIONS**

Future research on SAT level procurements within the Department of the Navy should address the testing of the above findings (for example, using NPS data); simplification, transparency, consistency, of SAT level procedures; and applicability of SAT level procedures to expeditionary contracting.



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## APPENDIX

### A. BARRIERS, TOOLS, AND BEST PRACTICES OF SMALL BUSINESS INFORMATIVE TABLE NOTES

| <u>Barriers Identified</u>   | <u>Tools to Over Come Barriers</u>                                      | <u>Best Practices</u>  |
|--|---|--|
| House Committee on Armed Services: Challenges in Doing Business with the Department of Defense | FAR   | NMCCAR – 5219.202  |
| Lack of information and DOD interaction with vendors, especially small and medium businesses   | 13.003 – SAT automatically set-aside                                    | Should conduct briefings on planned SB acquisitions          |
| Industrial base is not investing R&D dollars with DOD  | 19.502–2 – Rule of Two Discretion                                       | Characteristics of Small Business Contracting; SBA Eagle Eye |
| Knowledge Gap with KO's  | Memo – Advancing SB Contracting Goals                                   | High rate of New Small Business (non-traditional)            |
| Lack of KO and PM collaboration leads to confusion to industry                                 | Senior Leadership Accountable   | SB makes up large percent of total contacts                  |
| Short solicitation periods   | Senior Leadership Accountable for SB supporting command mission support | Utilize SB more intensely                                    |
| Lack of posting under 25K  | Memo – Meeting SB Goals   | Retain SB participation longer                               |
| DOD request in-depth quotes/proposals that SB are not resources for                            | Under SAP goal is 86.18percent  | Have both Service and Manufacturing Requirements             |
| Complex set of rules FAR, DFAR, NMCCAR   | Memo-SB in Purchase Card  | Negotiate contracts with small even for large procurements   |

Table 30. Barriers, Tools, and Best Practices of Small Business Informative Table Notes

**A. BARRIERS, TOOLS, AND BEST PRACTICES OF SMALL BUSINESS  
INFORMATIVE TABLE NOTES (CONT.)**

| <b><u>Barriers Identified</u></b>               | <b><u>Tools to Over Come Barriers</u></b>  | <b><u>Best Practices</u></b>                  |
|---|--|---|
| Long procurement lead times                     | Under 3K go to small business (6 billion)  | Task and delivery orders per contact or lower |
|   | Cardholders more/re-training to utilize SB | More FFP contracts                            |
| The Washington Post                             | SEC. 891                                   |   |
| 45percent of SAT awards going to large business | Identify non-traditional suppliers         |   |
|   | Outreach                                   |   |
| House of Representatives Testimony              | PTAC                                       |   |
| Cumbersome difficult process to get on MAC      |  |   |
| Minimum sales guaranteed \$2,500                |  |   |
| Minimum sales must achieve to stay on \$25,000  |  |   |
| Existing statues or regulation block out SB     |  |   |

Table 6. Barriers, Tools, and Best Practices of Small Business Informative Table Notes (cont.)

**B. SUMMARY OF SURVEY DATA**

| Entity  | Barriers                                     | Tools                         | Best Practices   |
|---|--|-------------------------------|--|
| NAVFAC Engineering Expeditionary Warfare Center               | <i>Government Required Paperwork</i>         | <i>Outreach</i>               | <i>Agency Training Modules</i>                         |
| Acquisition (EXWC)<br><br>(Small Business Professional, 2012) | <i>Past Performance</i>                      | <i>SB Set-Asides on MAC's</i> | <i>SB Smaller Product Procurement</i>                  |
|   | High Number of LB on MAC's                   | <i>SAP</i>                    | <i>Tasks at Lower Dollar Amounts for SB Set Asides</i> |
|   | Customer (Gov Agency) Not Finding SB Capable |                               |  |

Table 31. Summary of Survey Data

B. SUMMARY OF SURVEY DATA (CONT.)

| Entity   | Barriers   | Tools  | Best Practices   |
|--|--|--|--|
| <b>FLC SD</b><br><br>(Small Business Professional, 2012) | <i>Past Performance</i>  | <i>Outreach</i><br><br><i>2579 Process</i><br><br><i>Collaboration with Other Agencies</i><br><br><i>SBA and PTACs</i>                 | <i>GWPC Holders and Purchasing Agents being Trained in SB Procedures, Policy, and Guidance</i><br><br><i>Build a Relationship with the Buying Commands</i> |
| <b>SPAWAR</b><br><br>(Small Business Professional, 2012) | <i>Poor Information From Vendors</i><br><br><i>Not Enough Past Performance</i> | <i>Outreach</i><br><br><i>Sr. Leadership Support</i><br><br><i>PTAC + SBA + Agency</i><br><br><i>Sharing Information and Resources</i> | <i>Working Groups and Round Table Discussions with Vendors</i><br><br><i>Letting Vendors Know What the Procurement Needs Are of Agency</i>                 |

Table 7. Summary of Survey Data (cont.)

**B. SUMMARY OF SURVEY DATA (CONT.)**

| Entity   | Barriers   | Tools   | Best Practices  |
|--|--|---|---|
| <b>SBA</b><br><br><b>Regional Office</b><br><br><b>Glendale</b><br><br>(PCR, 2013) | Too Many Unrestricted NAICS Requests from Agency<br><br><i>Too Much Effort for SB to Work on Proposals</i><br><br><i>SB Lack of Visibility for SAP and micro purchase</i><br><br>Requirements Not Being Set Aside for SB | <i>Outreach</i><br><br><i>Agency SBO + PCR + Contracting Officer</i><br><br><i>Other Agency Support</i> | <i>Building a Relationship with the Agencies</i><br><br>Agency Visits |

Table 7. Summary of Survey Data (cont.)

**B. SUMMARY OF SURVEY DATA (CONT.)**

| Entity  | Barriers  | Tools   | Best Practices   |
|---|---|---|--|
| <b>SBA</b><br><br><b>Regional Office</b><br><b>San Diego</b><br><br>(Procurement Center Representative, 2012) | LB Not Wanting to Hand Hold SB in Big Contracts<br><br><i><b>Too Much Information Required to Respond to RFP and RFQ's</b></i><br><br><i><b>Short Posting Times</b></i><br><br><i><b>MAC's Too Restricting and Requiring Too Much Information for SB</b></i><br><br><i><b>Overwhelmed KO's</b></i><br><br><i><b>Low Attendance at Outreach Events</b></i> | <i><b>Outreach</b></i><br><br><i><b>SAP</b></i><br><br><i><b>Small Business as Subcontractor</b></i><br><br>Supporting Agency's Market Research | <i>Refer Vendors to PTAC</i><br><br><i><b>Build a Relationship with SBP and SBS of Agencies</b></i><br><br>Conduct Market Research if SB Not Set-Aside |

**B. SUMMARY OF SURVEY DATA (CONT.)**

| Entity   | Barriers  | Tools  | Best Practices   |
|--|---|--|--|
| <b>PTAC<br/>Riverside</b><br><br>(Program<br>Manager,<br>2012) | <i>Requirements<br/>Under 25K<br/>Not Posted on<br/>FBO</i><br><br><i>How to<br/>Obtain an<br/>IDV Award is<br/>a “Secret”</i><br><br><i>Low<br/>Attendance at<br/>Outreach</i><br><br>Lack of Ramp<br>on for SeaPort | <i>Outreach</i><br><br><i>SAP</i><br><br>Micro<br>Purchases<br><br><i>SB as<br/>Subcontractors</i><br><br>Local Business<br>Groups | One on One Vendor Support<br><br><i>Know the Buying Commands<br/>Needs</i><br><br>Team with Area Chambers of<br>Commerce |

Table 7. Summary of Survey Data (cont.)



**B. SUMMARY OF SURVEY DATA (CONT.)**

| Entity   | Barriers   | Tools  | Best Practices   |
|--|--|--|--|
| <b>PTAC</b><br><br><b>San Diego</b><br>(Program Manager, 2012) | <i>Under 25K Not Posted</i><br><br><i>IDV Difficult to Access How to Get On</i><br><br><i>Submission Quality From SB is Low</i><br><br><i>SB Do Not Have Resources to Dedicate to RFP/RFQ</i><br><br>80percent of Requirements Fulfilled by SeaPort, Schedules, or IDIQ's<br><br><i>Most SAP Requirements Are Not seen by The Public</i> | <i>Outreach</i><br><br><i>SB as Subcontractors</i> | <i>Communicate with Buying Agencies</i><br><br>SB Conduct Good Market Research<br><br><i>Identify What the Gov. Buys and How</i><br><br>SB Should Be Aggressive to Get on IDVs |

Table 7. Summary of Survey Data (cont.)

### C. NORTHERN CALIFORNIA NPS PROCUREMENTS FUNDED UNDER SAT (FPDS, 2012)

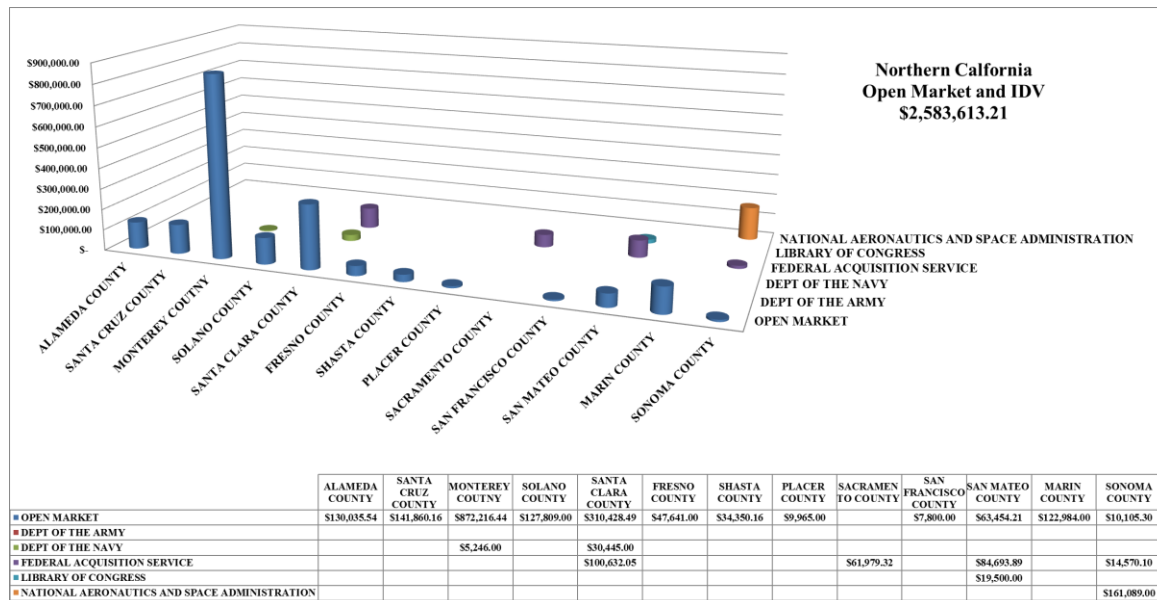


Figure 31. Northern California Open Market and IDV SAT Level Awards

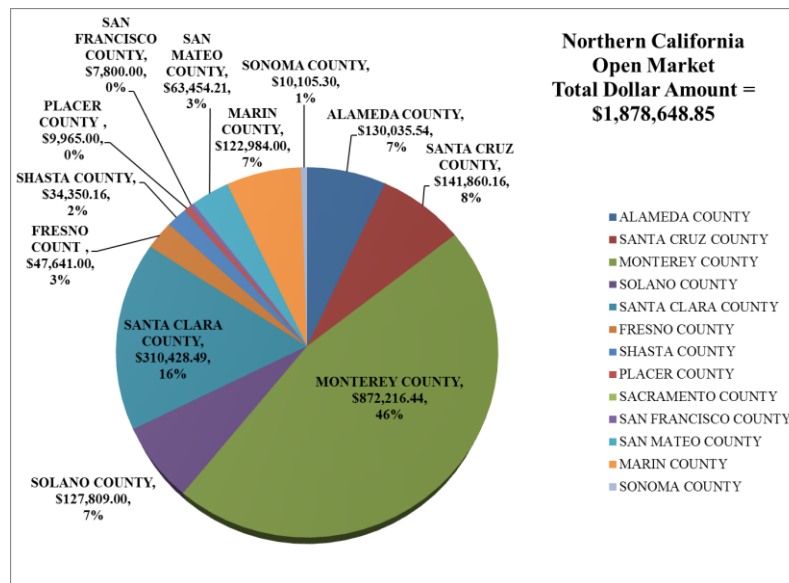


Figure 32. Northern California Open Market SAT Level Awards

## D. SOUTHERN CALIFORNIA NPS PROCUREMENTS FUNDED UNDER SAT

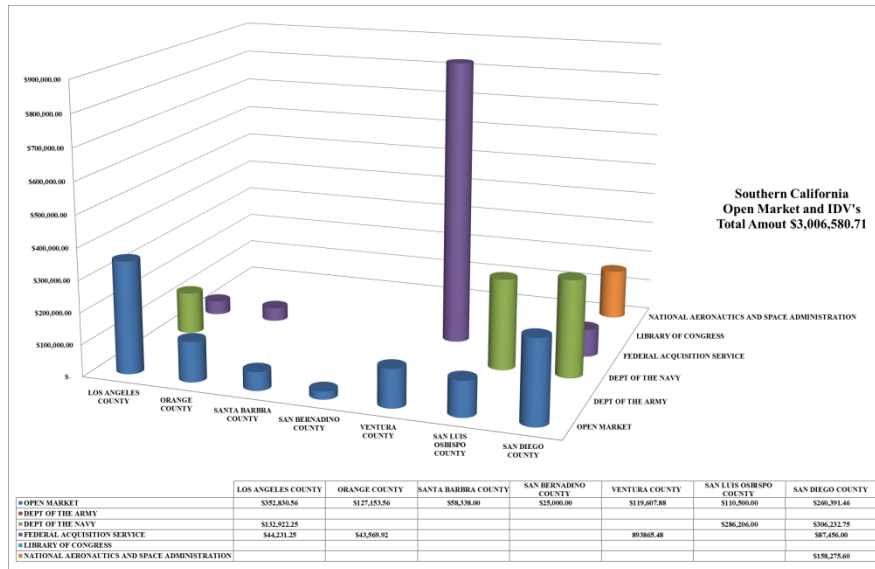


Figure 33. Southern California Open Market and IDV SAT level Awards

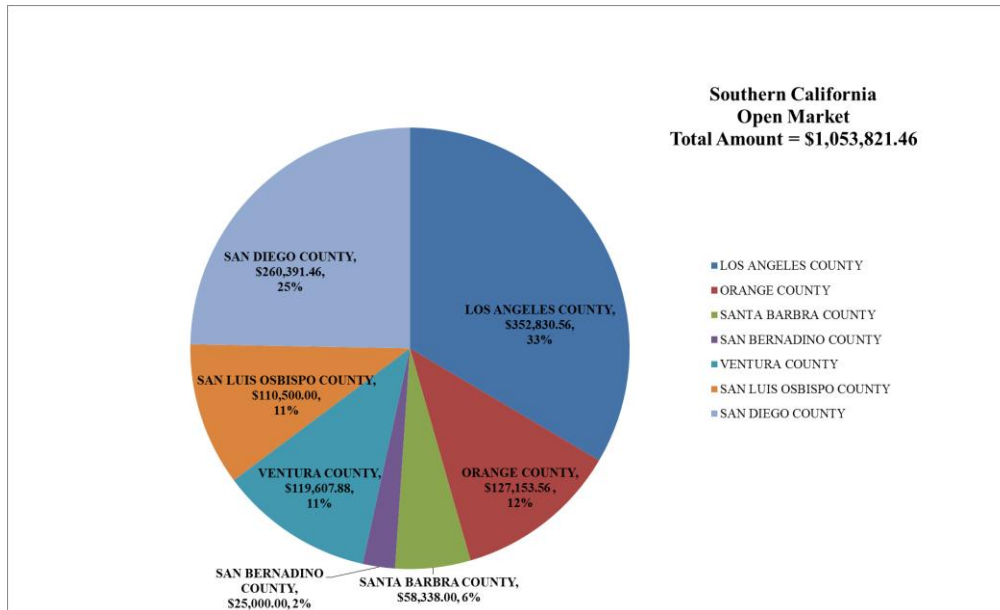


Figure 34. Southern California Open Market SAT Level Awards

**E. LIST OF GOVERNMENT AND EDUCATIONAL AGENCIES IN MONTEREY COUNTY (SRI, 2011)**

- United States Geological Survey (USGS)
- Naval Postgraduate School (NPS) – Navy DOD
- U.S. Army Presidio of Monterey (Army POM) – Army DOD
- National Weather Service (NWS): San Francisco Monterey Bay Area Weather Forecast Office
- National Oceanic and Atmospheric Administration (NOAA)
- Defense Language Institute Foreign Language Center (DLI) – ARMY DOD
- Defense Personnel Security Research Center - DOD
- DOD Manpower Data Center (DMDC) - DOD
- U.S. Coast Guard Station Monterey (USCG) – USCG DOD
- Fleet Numerical Meteorology and Oceanography Center (FNMOC) – Navy DOD
- Central Coast Resource Conservation and Development Council
- Natural Resources Conservation Service: Salinas Service Center
- Monterey Bay National Marine Sanctuary
- California Coastal National Monument
- Fort Ord: Public Lands: Hollister Field Office
- Naval Research Laboratory Marine Meteorology Division
- Fort Hunter Liggett DOD
- Camp Roberts DOD
- California Fish and Game
- Defense Language Institute Foreign Language Center (DLI)
- Defense Manpower Data Center (DMDC)
- Fleet Numerical Meteorology and Oceanography Center (FNMOC)
- National Oceanic and Atmospheric Administration (NOAA)
- Naval Postgraduate School (NPS)
- Naval Research Laboratory (NRL)
- The Panetta Institute for Public Policy

**F. SMALL BUSINESS SOCIO ECONOMICAL VENDOR PRESENCE SAN DIEGO COUNTY VS. MONTEREY COUNTY (SBA, 2013)**

Table 32. San Diego Count and Monterey County Total Number of Small Businesses

| <b>San Diego County<br/>(SBA.gov)</b>     | <b># of SB</b> | <b>Monterey County<br/>(SBA.gov)</b>      | <b># of SB</b> |
|---|----------------|---|----------------|
| Small Business                            | 1279           | Small Business                            | 86             |
| Veteran Owned SB                          | 503            | Veteran Owned SB                          | 32             |
| HUBZone Certified SB                      | 64             | HUBZone Certified SB                      | 0              |
| 8 (a) Certified                           | 103            | 8 (a) Certified                           | 2              |
| Service-Disabled Veteran SB               | 268            | Service-Disabled Veteran<br>SB            | 14             |
| Small Disadvantaged Business              | 86             | Small Disadvantaged<br>Business           | 1              |
| Woman or Woman Owned SB                   | 671            | Woman or Woman Owned<br>SB                | 22             |
| <b>Total Number of Small<br/>Business</b> | <b>2974</b>    | <b>Total Number of Small<br/>Business</b> | <b>157</b>     |

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